Management's Analysis

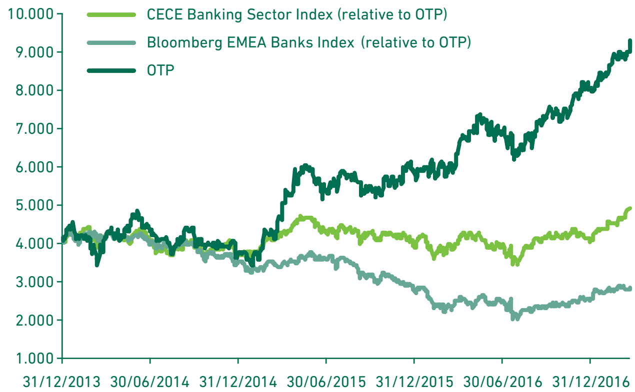
Management's analysis of the 2016 results of the OTP Group

CONSOLIDATED FINANCIAL HIGHLIGHTS AND SHARE DATA[1]

Main components of the Statement of recognised income	2015 HUF million	2016 HUF million	Change %
Consolidated after tax profit	**63,171**	**202,452**	**220**
Adjustments (total)	(57,073)	1,276	(102)
Consolidated adjusted after tax profit without the effect of adjustments	**120,245**	**201,176**	**67**
Pre-tax profit	146,057	244,772	68
Operating profit	362,594	335,900	(7)
Total income	754,912	736,316	(2)
Net interest income	553,659	521,949	(6)
Net fees and commissions	167,250	175,966	5
Other net non-interest income	34,002	38,400	13
Operating expenses	(392,317)	(400,416)	2
Total risk costs	220,709)	(93,218)	(58)
One off items	4,172	2,090	(50)
Corporate taxes	(25,813)	(43,596)	69
Main components of balance sheet closing balances	**2015**	**2016**	**%**
Total assets	10,718,848	11,307,665	5
Total customer loans (net, FX-adjusted)	**5,454,536**	**5,736,232**	**5**
Total customer loans and advances (gross)	**6,423,588**	**6,680,504**	**4**
Total customer loans (gross, FX-adjusted)	**6,483,245**	**6,680,504**	**3**
Allowances for possible loan losses	(1,013,620)	(944,273)	(7)
Allowances for possible loan losses (FX-adjusted)	(1,028,709)	(944,273)	(8)
Total customer deposits (FX-adjusted)	**8,025,435**	**8,540,583**	**6**
Issued securities	239,376	146,900	(39)
Subordinated loans	234,784	77,458	(67)
Total shareholders' equity	1,233,659	1,420,649	15
Indicators based on one-off adjusted earnings	**2015**	**2016**	**%/pps**
ROE (from accounting net earnings)	5.1%	15.3%	10.2
ROE (from accounting net earnings, on 12.5% CET1 ratio)	5.3%	17.9%	12.5
ROE (from adjusted net earnings)	9.6%	15.2%	5.5
ROA (from adjusted net earnings)	1.1%	1.8%	0.7
Operating profit margin	3.34%	3.05%	(0.29)
Total income margin	6.96%	6.69%	(0.28)
Net interest margin	5.11%	4.74%	(0.37)
Cost-to-asset ratio	3.62%	3.64%	0.02
Cost/income ratio	52.0%	54.4%	2.4
Risk cost to average gross loans	3.18%	1.13%	(2.06)
Total risk cost-to-asset ratio	2.04%	0.85%	(1.19)
Effective tax rate	17.7%	17.8%	0.1
Net loan/(deposit+retail bond) ratio (FX-adjusted)	67%	66%	0
Capital adequacy ratio (consolidated, IFRS) – Basel3	16.2%	16.0%	(0.2)
Tier1 ratio – Basel3	13.3%	13.5%	0.3
Common Equity Tier 1 ('CET1') ratio – Basel3	13.3%	13.5%	0.3
Share Data	**2015**	**2016**	**%**
EPS diluted (HUF) (from unadjusted net earnings)	242	765	216
EPS diluted (HUF) (from adjusted net earnings)	458	761	66
Closing price (HUF)	6,000	8,400	40
Highest closing price (HUF)	6,158	8,411	37
Lowest closing price (HUF)	3,479	5,714	64
Market Capitalization (EUR billion)	5.4	7.6	41
Book Value Per Share (HUF)	4,406	5,074	15
Tangible Book Value Per Share (HUF)	3,840	4,487	17
Price/Book Value	1.4	1.7	22
Price/Tangible Book Value	1.6	1.9	20
P/E (trailing, from accounting net earnings)	26.6	11.6	(56)
P/E (trailing, from adjusted net earnings)	14.0	11.7	(16)
Average daily turnover (EUR million)	15	15	(2)
Average daily turnover (million share)	0.9	0.7	(26)

[1] Structural adjustments made on consolidated IFRS profit and loss statement together with the calculation methodology of adjusted indicators are detailed in the Supplementary data section of the Report.

Share price performance



MOODY'S RATINGS	
OTP Bank	
Foreign currency long-term deposits	Baa3
OTP Mortgage Bank	
Covered mortgage bond	Baa1

STANDARD & POOR'S RATING	
OTP Bank and OTP Mortgage Bank	
Long-term credit rating	BB+

FITCH'S RATING	
OTP Bank Russia	
Long-term credit rating	BB

MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2016 RESULTS OF OTP GROUP

In 2016 the Hungarian economic output increased by 2% y-o-y with bulk of the macroeconomic indicators demonstrating material y-o-y improvement. Due to stronger revenues and despite the significant year-end fiscal stimulus the overall budget deficit remained below 2% and the public debt to GDP declined below 74%.

Within that the FX component and the share of non-resident holding eroded substantially, as a result the public debt financing conditions improved a lot and the vulnerability of Hungary declined further.

The Central Bank continued its loose monetary policy supporting the sustainable economic growth through conventional and non-conventional tools. The policy rate remained unchanged at 0.9% since May 2016, whereas the interbank reference rates (of which the most relevant for the banking sector is the 3M BUBOR) dropped well below that level as a result of Central Bank measures.

Apart from the supporting operating environment the banking sector also benefited from those government measures (scaling back the banking tax, extending the Housing Subsidy Scheme for Families, the so-called CSOK) which aimed at the longer term stable and balanced growth of the economy.

It is of great importance for the stable development of the sector that after several consecutive years of loan portfolio erosion the long-awaited turnaround in lending activity did take place in 2016: net loan flows turned into positive on sector level and due to strong underwriting activities corporate volumes have already increased.

The favourable macroeconomic trends and positive regulatory changes induced upgrades at rating agencies, too: by November 2016 Hungary became investment grade rated again at all major rating agencies. Such steps will undoubtedly support an even more cost-effective refinancing of public debt and stronger FDI flows.

Regarding 2017 economic outlook, OTP Bank's own forecast is a 3.9% GDP growth supported by further improving local consumption and more active utilization of EU funds. Fiscal deficit might drop well below 2%, whereas the average inflation may be around 2.9%. As a result of the tight labour market, the year-end wage agreements and additional government measures, the nominal wage increase is expected to hover between 7–8%.

As for the rest of OTP's operation in the CEE region the management calculates with improving macroeconomic conditions in each country, thus 2017 might be the first year since the crisis when all regional economies might post positive GDP growth. Besides Hungary the GDP increase is expected to be the strongest in Romania and Bulgaria (above 4% and 3% respectively), in case of Romania the new Government announced massive fiscal expansion plans in January 2017.

In case of Ukraine and Russia, local subsidiaries became profitable earlier and in bigger scale than expected, and the operational environment supports cautious optimism for both countries. If the base case scenario prevails without any major negative geopolitical disruption the Ukrainian GDP might expand between 2.5–3% and further structural reforms might be carried on (one good example of that was the forced nationalization of the largest local bank, PrivatBank in December 2016) which overall can have a stabilizing impact on Ukraine.

With the current oil price above 50 USD/barrel the Russian authorities enjoy the benefit of some fiscal manoeuvring potential; it also does have a positive impact on RUB and helps loading the fiscal reserves. Furthermore, it might allow the CBR to continue its cautious rate-cut moves. As a whole it may support consumption/investment behaviour.

In line with its strategic goals and utilizing its outstanding liquidity and capital position in 2016 OTP Group completed a successful acquisition in Hungary and announced another one in December in Croatia.

The take-over of AXA Bank's Hungarian portfolio was completed on 1 November, thus the relevant balance sheet and P&L items were consolidated in 4Q 2016.

The acquisition of Splitska banka in Croatia was announced on 21 December 2016, the consolidation is expected to take place in 2H 2017, whereas the full integration process will be completed in 2018.

Changes related to FX mortgage loans affecting OTP Bank's foreign subsidiaries

1. Romania

By 31 August 2016 OTP Bank Romania's own CHF mortgage loan conversion programme that started on 9 December 2015 was completed with around 73% of the eligible clients participating (i.e. it involved about 7,000 individual contracts).

On 13 May 2016 the so-called 'walk-away' law came into effect. Accordingly, eligible borrowers might simply return the property to the banks in exchange for getting rid of the mortgage loan. Clients' interest was fairly benign: by 31 December only 269 customers applied for the scheme (with a gross volume of RON 83 million). OTP Bank Romania has already created the necessary individual and collective provisions. On 25 October 2016 the Romanian Constitutional Court declared several parts of the law unconstitutional and ruled the issue into the competence of local courts to deal with the insolvency and unforeseen developments issues of clients.

On 18 October 2016 the Romanian Parliament unanimously passed a law requiring banks to convert all mortgages originated in CHF into local currency at rates prevailing at origination, however on 24 October the Romanian Government sent the law to the Constitutional Court for review, consequently the President has not signed the Act either. On 7 February 2017 the Constitutional Court declared the Act as a whole unconstitutional.

2. Croatia

In Croatia the conversion programme of retail CHF loans (into EUR) with discount started in 4Q 2015, in line with the relevant Act. By the end of September 2016 the programme has been basically completed with 87% of the eligible portfolio being converted.

Consolidated earnings: HUF 201 billion adjusted after tax profit, eroding income margin and net interest income margin, massively declining risk costs, further improving credit quality trends, increasing DPD90+ coverage

The consolidated accounting profit was HUF 202.5 billion in 2016 versus HUF 63.2 billion posted in 2015. Against the last couple of years this time adjustment items had a limited impact on the annual accounting profit.

The adjusted 2016 ROE improved to 15.2% (+5.5 pps y-o-y), whereas the ROA reached 1.8% (+0.7 pp y-o-y). Based on the accounting profit the annual ROE reached 15.3%. In case the accounting ROE was calculated with a CET1 ratio of 12.5% targeted by the management, the ROE would be 17.9%.

During the course of 2016 the Bank booked all-in +HUF 1.3 billion adjustments which is materially different compared to 2014 or 2015 (–HUF 220 billion and –HUF 57 billion respectively).

In 2016 the adjustment items were as follows:

- In 2016 the banking taxes paid by Group members resulted in an after tax negative impact of HUF 13.9 billion, including the Hungarian special tax of financial institutions and the Slovakian banking levy. As for the Hungarian banking tax, the base for calculating the 2016 levy did not change, i.e. it remained the adjusted total assets at the end of 2009; the applicable upper rate, however, was reduced to 0.24%.
- The proceeds from the sale of OTP Group members' stake in Visa Europe has been transferred in 2Q 2016. The cash transfer affected five group members: OTP Bank, DSK Bank, OTP Bank Romania, OTP Bank Croatia and OTP Bank Slovakia. The after tax impact of the transaction represented HUF 13.2 billion (HUF 15.9 billion before tax) which included the realized cash transfer (HUF 9.6 billion after tax) and the discounted present values of deferred earn-out components due in 3 years and the C-type VISA Inc. shares (HUF 0.8 billion and HUF 2.8 billion respectively).

  The P&L impact of the VISA transaction was eliminated from the individual group members' quarterly P&L and was presented among the adjustment items on consolidated level.

  The originally calculated cash component (EUR 34.2 million before tax) has been already recognized in 4Q 2015 within the Comprehensive Income Statement on the Fair Value Adjustment of Available for Sale Securities line.
- In 2016 further impairments were booked in relation to the investment in the Ukrainian Factoring company under Hungarian Accounting Rules. While under IFRS they had direct effect neither on the consolidated balance sheet nor on the P&L, there was a related positive tax shield of altogether HUF 11.6 billion that added to the Group's accounting profit according to International Financial Reporting Standards as adopted by the European Union (IFRS).
- Based on the ruling of the Supreme Court on 16 December 2016 related to a fine imposed earlier by the Hungarian Competition Authority a HUF 1.9 billion positive item emerged (after tax).
- In Hungary the switching from Hungarian Accounting Rules (HAR) into IFRS from January 2017 resulted in a negative impact in the amount of HUF 5.8 billion.

  In Hungary it is mandatory for credit institution to shift from HAR to IFRS, but the deadline is optional: it can happen either from 2017 or 2018. In 3Q 2016 OTP Bank and several other Group members officially notified the National Bank of Hungary, the National Tax and Customs Administration, as well as the Central Statistical Office about their intention to implement the shift to IFRS from 2017.

  Accordingly, after the switch the IFRS financials will be used for the corporate income tax calculation, however the shift will have a one-off tax effect. The reason is that there are different book value calculation rules for subsidiary investments under HAR and IFRS (under the latter the book value was calculated based on the historical

FX rates, whereas under HAR there was a constant FX revaluation, and there were differences in accounting of goodwill, too). So far the Group treated those differences as permanent, however in accordance with the act on corporate income tax and the decision about the switch to IFRS, by 30 September those differences must be accounted for as temporary differences. Due to these differences in the subsidiary investments' book value calculation rules under the two accounting standards, in 2016 deferred tax liability was booked in the total amount of HUF 5.8 billion. In the adjusted P&L structure this item was presented on consolidated level among the adjustment items on the 'Expected corporate tax impact of switching to IFRS from HAR in Hungary' line.
Due to FX rate moves there was a tax shield effect in the adjusted P&L of OTP Core in 3Q and 4Q, too (inducing a tax saving of altogether HUF 0.6 billion). Simultaneously, the same amount (but with negative sign) was shown on consolidated level on the above mentioned adjustment line.

- Effective from 1 January 2017 the Hungarian corporate tax rate was cut uniformly to 9% and the move implied revaluation of deferred tax assets and liabilities at Hungarian Group members. These revaluations had a total impact of –HUF 2.7 billion stemming from two components: on one hand there was a –HUF 6.1 billion P&L impact booked among the adjustment items. Also, the revaluation impact booked directly against equity in 4Q 2016 is +HUF 3.4 billion. This item is owing to the revaluation of deferred tax liabilities related to the mark-to-market valuation gains of AFS (available for sale) securities booked directly against equity (in the Comprehensive Income Statement).
- HUF 0.4 billion dividend and net cash transfer (after tax).

In 2016 OTP Group posted HUF 201.2 billion adjusted after tax profit (+67% y-o-y). The tax burden increased by almost HUF 18 billion y-o-y, but the effective tax rate remained almost unchanged (17.8%). The operating income eroded by 7%, however it was comfortably offset by lower risk costs which plummeted to around one third in the base period.
Within the annual consolidated adjusted after tax profit significant shift has happened in case of individual contributions: after posting losses in the last two years, the Russian subsidiary realized above HUF 20 billion profit after tax, while the Ukrainian bottom line result reached HUF 10.2 billion. The y-o-y improvement was HUF 35.6 billion and HUF 50.5 billion, respectively, which mainly drove the y-o-y earnings improvement on Group level. Despite a y-o-y decline in their net results, OTP Core (HUF 122.2 billion) and DSK Bank (HUF 47.4 billion) still maintained their dominant position. Material improvement was realized in Croatia (HUF 3.8 billion), as well as at Merkantil Group (HUF 2.6 billion) and OTP Fund Management (HUF 6.7 billion). Out of foreign subsidiaries Slovakia and Montenegro turned into red (–HUF 2.2 billion and 1.8 billion, respectively) as a result of higher risk costs. Furthermore, the Russian online operation, Touch Bank remained a loss maker in 2016, too with –HUF 5.9 billion.
Within 2016 total income the net interest income dropped by 6%. Despite performing loan volumes expanded by 6% y-o-y (FX-adjusted), their average volume was fairly stable, thus the main reason behind lower NII was the eroding net interest margin. The lower NIM (4.74%, –37 bps y-o-y) was mainly due to the declining overall interest rate environment and the dilution effect of the increasing balance sheet. The average of the quarterly NIMs however showed a higher annual rate (4.81%). The lower interest rate environment took its toll almost at all Group members: in 2016 only the Croatian subsidiary managed to increase its NII in HUF terms. In local currency terms, however both Russia and Ukraine achieved higher NII (+2.5% in RUB and +7.3% in UAH terms, respectively).
Net fees and commissions had a good run (+5% y-o-y) supported mainly by strengthening lending activity and stronger transactional turnover. Other net non-interest income increased by 13% y-o-y. As a result total income fell short of the base period by 2% y-o-y.
Operating expenses grew by 2% y-o-y. Higher personnel expenses reflected the impact of

on-going wage inflation in several countries, while administrative expenses grew due to higher marketing spending induced by stronger lending activity, but also to higher contributions paid to regulatory bodies and higher IT costs.

The FX-adjusted consolidated loan portfolio grew by 3% y-o-y. Given the significant volumes of sold and written off non-performing exposures, volume trends in performing book would give a more realistic picture. Accordingly, DPD0–90 volumes increased by 6% y-o-y. Within that the performing portfolio at OTP Core advanced by 12% y-o-y, true, also reflecting the impact of the AXA portfolio take-over in 4Q. Without the AXA-effect volumes would have increased by 3% y-o-y. In Ukraine and Bulgaria volumes expended quite remarkably (+5% and 4% y-o-y), whereas in Russia the strong 4Q loans sales broke the declining trend and the overall portfolio started growing again even in y-o-y comparison.

As for the major credit categories: on consolidated level the large corporate exposure and the SME book increased by 12 and 13% respectively, mainly due to the strong Bulgarian and Hungarian performance. In the retail segment the performing consumer book grew by 2% y-o-y and the mortgage book by 5%. Without AXA-effect the mortgage volumes would have contracted by 3% y-o-y.

Despite the on-going interest rate reduction the FX-adjusted deposit volumes grew by 6% y-o-y. As a result the consolidated net loan-to-(deposit+retail bonds) ratio remained almost flat (66%).

The volume of issued securities declined by 39% y-o-y, redemptions occurred mainly at OTP Core. The outstanding volume of subordinated bonds and loans dropped by 67% y-o-y. In September an LT2 facility matured and was repaid with EUR 500 million face value. The Bank did not buy back subordinated debt during 2016.

The consolidated volume of securities reached HUF 2,934 billion by the end of 2016 (+18% y-o-y); the dominant part was government securities. In 4Q 2016 the Bank had an option to redeem its Perpetual bonds and exchangeable bonds (ICES) after the elapse of the first 10 years of maturity, but the issuers' management did not exercise its right. In both cases there was a change in the original conditions of the coupon: in case of the Perpetual bonds the 5.875% annual coupon, for ICES the 3.95% annual coupon changed in both cases into 3M EURIBOR +300 bps. A lower interest payment obligation resulted in savings on interest expense of HUF 0.7 billion in 4Q 2016 at the Corporate Centre.

By end-December 2016 the Group's liquidity position was comfortably stable: the operative liquidity reserves of the Group comprised EUR 8.1 billion equivalent.

Similar to the previous years, Group members sold or wrote off non-performing exposures in 2016 with a value of HUF 172 billion (FX-adjusted).

In line with the management's original expectation and supported by the improving macroeconomic environment overall credit quality trends continued to be favourable: new DPD90+ volumes (adjusted for FX and without the effect of sales and write offs) grew by HUF 82 billion versus HUF 133 billion a year ago. In 2016 HUF 15 billion DPD90+ loan volume growth was explained by the AXA portfolio take-over. The most meaningful improvement was witnessed in Russia, whereas in Hungary and Bulgaria practically there was no further deterioration and Ukraine showed a promising picture, too. The consolidated DPD90+ ratio declined to 14.7% (–2.3 pps y-o-y). In Hungary the rate dropped to 9.8%, last time the DPD90+ ratio was below 10% in 2010. The DPD90+ total coverage stood at 96.8% (+3.4 pps y-o-y).

OTP Core: marginally lower adjusted net earnings, eroding NIM, increasing loan portfolio, favourable credit quality trends with the DPD90+ ratio dropping below 10%

The adjusted after tax profit of **OTP Core** (basic activity in Hungary) reached HUF 122.2 billion in 2016, underpinning a 1% y-o-y decline.

The profit before tax improved by 2% y-o-y, within that the operating income declined by

16% as a result of lower net interest income (–6%) and higher operating expenses (+7%). The net interest margin (3.36%) eroded by 25 bps y-o-y mainly due to lower interest rate environment. Most of the variable-rate assets are priced on 3 months BUBOR, its level dropped from 1.35% at the beginning of the year to 0.37% in late December.
The y-o-y decrease in operating income was offset by significantly lower risk costs. While total provisions in 2015 comprised HUF 25.6 billion, in 2016 HUF 6.1 billion total provisions (within that HUF 14 billion provisions for loan losses) were released.
The loan portfolio quality demonstrated further improvement: the FX-adjusted DPD90+ volume formation (without sales and write-offs) was HUF 12 billion (versus a decline of HUF 11 billion in 2015), however HUF 15 billion growth was related to the AXA portfolio consolidation in 4Q 2016. The total volume of DPD90+ book declined by around HUF 34 billion y-o-y as a result of sales and write-offs. Consequently, the DPD90+ ratio dropped below 10% (9.8%, –2.3 pps y-o-y) for the first time since 2010. The coverage of DPD90+ loans by total allowances for loan losses declined to 82.7% from end-3Q 86.5%. If the AXA portfolio hadn't been taken over net of allowances for loan losses, the coverage would have stood at 86.3% in 4Q.
The annual operating expenses grew by 7%: on one hand contributions to different regulatory bodies increased by HUF 3 billion y-o-y, and the strengthening business activity was coupled with higher marketing costs. The y-o-y increase was partially related to the AXA deal.
The sector-level turnaround in lending activity can be witnessed at OTP Bank, too. Performing volumes increased by 12% y-o-y (without AXA by 5%). The strongest improvement was posted in the corporate and SME sector (+15% and +11% y-o-y, respectively). As for the retail segment, performing volumes including AXA increased by 12% y-o-y, without it the erosion was 3%. The annual volume of portfolio amortization still exceeded that of the new flows. New mortgage originations continued to be meaningful, new flows grew by 40% y-o-y. OTP Bank maintained its leading position: out of new yearly flows it captured 29.1% in 2016. OTP Bank plays a dominant role in originating subsidized mortgages; in 2016 around 75% of new applications were submitted to the Bank. OTP also maintained its leading position in originating CSOK-loans (Housing Subsidy Scheme for Families): every second approved CSOK application was registered with the Bank. Positive that 67% of applications were coupled with the Bank's own mortgage loan offers.
The performing consumer book grew by 4% y-o-y.
The FX-adjusted deposit book with retail bonds grew by 8% y-o-y. The year-end volume of deposits taken over from AXA comprised about HUF 60 billion. As a result, the net loan-to-(deposit+retail bonds) ratio grew marginally to 49% (+1 pp y-o-y, FX-adjusted).
In 2016 **Merkantil Group** posted HUF 2.6 billion adjusted profit after tax. The y-o-y 60% increase was due the stable total income (+3%) and lower risk costs and operating expenses.
The FX-adjusted gross loan volumes started increasing and grew by 5% y-o-y, both the corporate exposures and car loans expanded. New car loan origination increased by 9% y-o-y.
OTP Fund Management posted HUF 6.7 billion after tax profit (+38% y-o-y). The outstanding performance was driven by higher success fees. The volume of total assets under management moderately declined y-o-y (2016: HUF 1,530 billion). The company retained its market leading position with around 20% market share.

Foreign subsidiaries' performance: meaningful, though y-o-y declining Bulgarian profit, strong Russian and Ukrainian, and improving Croatian, Romanian and Serbian performance, net losses in Slovakia and Montenegro due to prudent provisioning

The **Bulgarian subsidiary's** profit contribution is still the second largest within OTP Group despite its 2016 net earnings of HUF 47.4 billion felt short the base period by 10%.

The annual operating profit declined by 4% with total income eroding by 2% y-o-y. The lower net interest income (–5%) was due to eroding net interest margin (4.63%). The fees and commissions income remained favourable (+13% y-o-y) mainly due to dynamic corporate lending activity, but higher deposit and transaction related fee income played a role, too.

The credit quality improved further with the DPD90+ ratio declining to 11.5% (–3.4 pps y-o-y), the coverage of DPD90+ volumes by total allowances for loan losses surged to 108%. The DPD90+ volumes (without sales and write offs, FX-adjusted) also showed favourable trends: in 2015 they increased by HUF 6 billion, whereas in 2016 the decline was HUF 3 billion. Total risk costs grew by 19% y-o-y, within that provisions for loan losses moderated by 11% y-o-y. As a result the annual risk cost rate was 1.12% (–14 bps y-o-y).

The FX-adjusted gross loan portfolio stagnated y-o-y mainly as a result of the non-performing portfolio sales and write-offs. The FX-adjusted performing volumes, however, grew by 4%. Due to the strong new loan origination in the large corporate segment the corporate book advanced by +15% y-o-y. The retail segment decreased despite better new loan sales: the performing mortgage book melted down by 1%, while the consumer book stagnated.

Due to the profitable operation of the bank and its strong reputation the FX-adjusted deposits advanced by 4% y-o-y. As a result, the net loan to deposit ratio declined further to 65%. DSK Bank's profitability and efficiency is outstanding: its annual ROE stood at 18.9%, whereas its cost-to-income ratio was 37.7%.

There was a remarkable turnaround in the performance of the Russian subsidiary (without Touch Bank) and the bank posted HUF 20.5 billion profit against a loss of HUF 15.1 billion a year ago. In RUB terms the bank realized its third best annual result. The material improvement was due to the y-o-y 58% drop in risk costs which easily offset the weaker operating income (–4% y-o-y). Despite the average depreciation of RUB against HUF eased a lot (2015: –25%, 2016: –8%), earning trends are more realistically presented in RUB terms.

Accordingly, the annual operating income improved by 5%, within that the net interest income grew by 3%, fees and commissions by 7% respectively. The stronger NII was supported by higher net interest margins (in RUB the NIM improved by 2.5 pps), the average performing loan portfolio declined.

Operating expenses moderated by 1% despite the average annual inflations was around 7%.

In line with the stabilization of the overall Russian macroeconomic situation credit quality trends turned to be positive: the FX-adjusted DPD90+ inflow without sales and write-offs amounted to HUF 110 billion in 2015 and HUF 48 billion in 2016. Also as a result of non-performing portfolio sales/write offs the DPD90+ ratio changed to 20.2%, its total provisioning coverage was 117.6%.

The FX-adjusted performing portfolio increased by 1% y-o-y. With POS-lending being in the focus of business activity, performing POS-volumes advanced by 17% y-o-y. Credit card volumes further eroded, but the cash loan portfolio grew by 7%.

The FX-adjusted deposit book eroded by 6% y-o-y. As a result, by the end of December the net loan-to-deposit ratio stood at 108%.

The annual risk cost rate (in HUF terms) was 7.7%, positive that within the consumer loan portfolio both POS and cash loan risk cost rates declined (to 6.1% and 7.7% respectively), only the credit card loans' CoR exceeded 12%.

The annual net interest margin (in HUF) was 16.25% (+0.69 pps y-o-y), whereas the ROE stood at 19.1%.

Touch Bank, the Bank's digital bank in Russia operating under the same banking license, but as a separate business line still remained in red after the second year of operation and posted HUF 5.9 billion loss (+22% y-o-y) mainly due to the operating expenses surging by 25% y-o-y. Parallel with the client acquisition volumes have been gradually building up, however on the asset side the increase was slower than expected. By the end of 2016 deposit volumes reached HUF 20.5 billion equivalent. From 2Q 2016 the sale of credit card loans and revolving cash loan facilities started, too but volumes remained marginal.

Following massive losses in the last two years in 2016 the **Ukrainian subsidiary** turned into profit again, its annual net earnings reached HUF 10.2 billion.

Key driver in profitability improvement was the sharp decline in risk costs.

P&L developments are better demonstrated in UAH terms given the volatility of the Ukrainian currency. The average FX-rate of the local currency against HUF y-o-y depreciated by 15%. Accordingly the annual operating income increased by 6% y-o-y; stronger total revenues (+8% y-o-y) offset the impact of higher operating expenses (+11%). The expense growth, however, felt short of the annual rate of inflation (13.9%). Positive that the net interest income improved by 7% y-o-y. The better net interest income was related to the higher volume of performing loans, but also to the prepayment of intragroup funding. The annual net interest margin reached 8.83% (+0.7 pp y-o-y).

Surging net fee and commission income (+29% y-o-y) was explained by base effect and strengthening business activity.

Credit quality trends demonstrated definite improvement: following a significant portfolio clean-up in 2015 in 2016 risk costs sharply declined (–84% y-o-y). The DPD90+ volume increase (FX-adjusted, without the effect of loan sales and write-offs) normalized at levels seen already in 2015 (HUF 11 billion). The DPD90+ ratio moderated to 41.9% (–6.6 pps y-o-y), its total provisioning coverage is stable and exceeds 118%.

The FX-adjusted performing portfolio increased by 5% y-o-y. Within that the retail book declined by 5%, however, the corporate exposure advanced by 8%. The mortgage loan sales are still suspended and the credit card loan origination is fairly subdued. POS origination, however demonstrates gradual

improvement: new placements grew by 62% y-o-y and performing volumes by 49% respectively.

The FX-adjusted deposit book grew by 9% q-o-q and by 13% y-o-y. The net loan-to-deposit ratio remained practically flat at 84% by December 2016.

During the course of the year the total outstanding intragroup exposure towards the Ukrainian operation declined by HUF 61 billion and dropped to HUF 46 billion equivalent by end-2016.

The **Romanian subsidiary** realized HUF 1.65 billion net profit in 2016 which underpins a y-o-y 12% improvement. The annual operating income increased by 41% y-o-y: somewhat lower total income was easily offset by a 16% decline in operating expenses which already reflects the cost synergy impacts of the Banca Millennium acquisition in 2015. Within core banking revenues the net interest income dropped by 11% y-o-y partly as a result of the bank's own conversion programme launched for CHF mortgage customers. The 80 bps erosion in the net interest margin (3.29%) is also explained by the impact of the conversion programme.

The FX-adjusted gross loan portfolio shrank by 3% y-o-y. The lower retail volumes are reasoned by the partial debt forgiveness offered in the bank's own CHF mortgage conversion programme. The 2% y-o-y growth of the corporate book partially offset that impact. As a result of a moderate growth in deposits the net loan-to-deposit ratio dropped to 134% (–8 pps y-o-y, FX-adjusted). The DPD90+ ratio somewhat increased to 17.4%; its total provisioning coverage improved and reached 81.7%.

The **Croatian subsidiary** managed to improve its annual results and posted HUF 3.8 billion profit in 2016 (+27% y-o-y). The annual operating income grew by 25%, whereas risk costs dropped by 22%. The annual NIM improved by 39 bps y-o-y and reached 3.51%. The FX-adjusted loan portfolio stagnated partly as a reflection of the retail CHF exposure settlement. The credit quality improved, the DPD90+ ratio decreased (12.1%, –1 pp y-o-y), its total provisioning coverage improved substantially (87.6%, +16.7 pps y-o-y).

The **Slovakian subsidiary** couldn't repeat its profitable operation seen in the last two years and posted a loss of HUF 2.2 billion in 2016. The turnaround in net earnings to a great extent is reasoned by increasing risk costs. Operating income improved by 3% y-o-y, however, risk costs surged by 75%. Positive that despite the eroding interest environment the bank managed to stabilize its annual net interest margin (3.15%). The FX-adjusted loan portfolio increased by 2% both y-o-y and q-o-q, of that the mortgage book grew the fastest. The credit quality deteriorated, the DPD90+ ratio grew to 11.2% (+1.5 pps y-o-y), its total provisioning coverage improved significantly (74.2%, +11.2 pps y-o-y).

The **Serbian subsidiary** posted a small profit in 2016 (HUF 39 million). Operating income suffered a significant setback (–46% y-o-y), however, it was offset by lower risk costs (–59%). The FX-adjusted portfolio kept increasing (+12% y-o-y); both the retail and corporate segments demonstrated strong expansion with SME being the fastest growing portfolio. The DPD90+ ratio declined further (32.7%), its total provisioning coverage was stable (74.2%).

The **Montenegrin subsidiary** failed to continue its profitable operation witnessed since 2013 and the bank posted HUF 1.8 billion loss. The major reason behind that was the y-o-y doubling risk cost, but the y-o-y 15% lower operating income also took its toll. The FX-adjusted loan book shrank by 4% y-o-y, while deposits grew by 1%. The DPD90+ ratio decreased (42.2%), the total provisioning coverage of the DPD90+ portfolio surged by 10pps y-o-y (92.9%).

Consolidated and stand-alone capital adequacy ratio (in accordance with BASEL III)

By the end of December 2016 the consolidated Common Equity Tier1 ratio under IFRS was 13.5%, +0.2 pp q-o-q. Neither the annual net

result was included, nor was the accrued dividend amount deducted from the regulatory capital when calculating the IFRS consolidated capital adequacy ratios. Including those items the CET1 ratio would be 15.8%.
OTP Bank's standalone Common Equity Tier1 ratio stood at 24.8% in December 2016, the accrued dividend amount and retained earnings are already reflected in this number.

Credit rating, shareholder structure

On 29 June Moody's changed the outlook on **OTP Bank's** 'Baa3' long-term HUF deposit rating from stable to positive and affirmed the long-term foreign currency deposit rating at 'Ba2' with positive outlook. On 7 November 2016 OTP Bank's long-term foreign currency deposit rating was upgraded by 2 notches to 'Baa3' from 'Ba2' with stable outlook, the short-term foreign currency deposit rating improved from 'Not Prime' to 'Prime-3'; whereas its long-term HUF deposit rating remained 'Baa3' with positive outlook along with its short-term HUF deposit rating at level 'Prime-3'.

On 29 June 2016 Moody's assigned a 'Ba1' l ocal currency issuer rating to **OTP Mortgage Bank** with positive outlook, while its deposit ratings were withdrawn since the bank is a specialized financial institution.
On 7 November 2016 the mortgage bond ratings were upgraded by one notch to 'Baa1' by Moody's.
Furthermore, on 21 July 2016 S&P upgraded the ratings of **OTP Bank** and **OTP Mortgage Bank** from 'BB' to 'BB+', at the same time the outlook was changed from positive to stable.
In February 2015 the **Russian subsidiary** initiated the cancellation of the rating service with Moody's and on 11 May 2016 Moody's has withdrawn the Russian bank's ratings.
OTP Bank Russia holds a 'BB' rating from Fitch with stable outlook.
Regarding the ownership structure of the Bank, by 30 December 2016 the following investors had more than 5% influence (voting rights) in the Company: the Rahimkulov family (8.30%), MOL (the Hungarian Oil and Gas Company, 8.69%), the Groupama Group (8.21%) and OPUS Securities (5.25%).

POST BALANCE SHEET EVENTS

Hungary

- On 14 February 2017, the flash estimate of the Hungarian GDP growth was published, accordingly the economy grew by 2% y-o-y, while the expansion in 4Q represented 1.6% y-o-y.
- On 15 February, OJB2021/I covered bonds were issued with a face value of HUF 85 billion within OTP Mortgage Bank Ltd. covered bond programme of HUF 1,000 billion framework. The bonds are rated 'Baa1' by Moody's

Romania

- On 7 February 2017, the Romanian Constitutional Court ruled that the Act on obliging banks to convert CHF mortgages into local currency at rates prevailing at origination was entirely unconstitutional.

Croatia

- On 27 January 2017; Fitch rating agency modified the outlook of Croatia from negative to stable, while the country's long-term FX and HRK 'BB' credit rating was confirmed.

Russia

- On 17 February 2017 Moody's changed the negative outlook for stable on the Russian sovereign rating with confirming all the previous ratings.

CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[2]

	2015 HUF million	2016 HUF million	Change %/pps
Consolidated after tax profit	**63,171**	**202,452**	**220**
Adjustments (total)	**(57,073)**	**1,276**	**(102)**
Consolidated adjusted after tax profit without the effect of adjustments	**120,240**	**201,176**	**67**
Banks total without one-off items[1]	117,253	189,950	62
OTP CORE (Hungary)[2]	123,359	122,190	(1)
Corporate Centre (after tax)[3]	(4,286)	(5,868)	37
OTP Bank Russia[4]	(15,101)	20,535	(236)
Touch Bank (Russia)[5]	(4,840)	(5,898)	22
OTP Bank Ukraine[6]	(40,312)	10,202	(125)
DSK Bank (Bulgaria)[7]	52,537	47,385	(10)
OBR (Romania)[8]	1,480	1,655	12
OTP banka Srbija (Serbia)[9]	(385)	39	(110)
OBH (Croatia)[10]	2,968	3,783	27
OBS (Slovakia)[11]	924	(2,223)	(341)
CKB (Montenegro)[12]	909	(1,849)	(303)
Leasing	1,786	3,968	122
Merkantil Bank + Car, adj. (Hungary)[13]	1,625	2,605	60
Foreign leasing companies (Croatia, Bulgaria, Romania)[14]	161	1,363	747
Asset Management	2,713	6,723	148
OTP Asset Management (Hungary)	4,817	6,658	38
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[15]	(2,104)	65	(103)
Other Hungarian Subsidiaries	(323)	1,903	(689)
Other Foreign Subsidiaries (Slovakia, United Kingdom, Montenegro, Romania, Serbia, Croatia, Belize)[16]	352	403	14
Eliminations	(1,535)	(1,771)	15
Total adjusted after tax profit of HUNGARIAN subsidiaries[17]	123,656	125,718	2
Total adjusted after tax profit of FOREIGN subsidiaries[18]	(3,411)	75,458	
Share of foreign profit contribution, %	**(3)**	**38**	

[2] Belonging footnotes are in the Supplementary data section of the Report.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME[3]

Main components of the Statement of recognised income	2015 HUF million	2016 HUF million	Change %
Consolidated after tax profit	**63,171**	**202,452**	**220**
Adjustments (total)	**(57,073)**	**1,276**	**(102)**
Dividends and net cash transfers (after tax)	144	412	186
Goodwill/investment impairment charges (after tax)	6,683	11,552	73
Special tax on financial institutions (after corporate income tax)	(29,383)	(13,950)	(53)
Impact of fines imposed by the Hungarian Competition Authority (after tax)	(662)	1,922	(390)
Effect of acquisitions (after tax)	1,550	0	(100)
One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary (after tax)	4,594	0	(100)
Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia (after tax)	(6,331)	0	(100)
One-off impact of regulatory changes related to FX consumer contracts in Serbia (after tax)	(211)	0	(100)
Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania (after tax)	(25,492)	0	(100)
Risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015 (after tax)	(169)	–	
Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 until 4Q 2015 (after tax)	(2,258)	–	
Corporate tax impact of switching to IFRS from HAR in Hungary	0	(5,766)	
Revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary	0	(6,054)	
Gain on the sale of Visa Europe shares (after tax)	0	13,160	
Revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. Simultaneous with regulatory changes (after tax)	(5,539)	0	(100)
Consolidated adjusted after tax profit without the effect of adjustments	**120,245**	**201,176**	**67**
Before tax profit	**146,057**	**244,772**	**68**
Operating profit	**362,594**	**335,900**	**(7)**
Total income	**754,912**	**736,316**	**(2)**
Net interest income	**553,659**	**521,949**	**(6)**
Net fees and commissions	**167,250**	**175,966**	**5**
Other net non-interest income	**34,002**	**38,400**	**13**
Foreign exchange result, net	18,476	12,941	(30)
Gain/loss on securities, net	9,197	5,655	(39)
Net other non-interest result	6,329	19,803	213
Operating expenses	**(392,317)**	**(400,416)**	**2**
Personnel expenses	(187,806)	(191,443)	2
Depreciation	(45,463)	(44,428)	(2)
Other expenses	(159,048)	(164,545)	3
Total risk costs	**(220,709)**	**(93,218)**	**(58)**
Provision for loan losses	(211,663)	(73,223)	(65)
Other provision	(9,046)	(19,995)	121
Total one-off items	**4,172**	**2,090**	**(50)**
Revaluation result of FX swaps at OTP Core*	(679)	–	
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0	
Result of the treasury share swap at OTP Core	4,852	2,090	(57)
Corporate taxes	**(25,813)**	**(43,596)**	**69**
Performance indicators	**2015**	**2016**	**%/pps**
ROE (from accounting net earnings)	5.1%	15.3%	10.2
ROE (from accounting net earnings, on 12.5% CET1 ratio)	5.3%	17.9%	12.5
ROE (from adjusted net earnings)	9.6%	15.2%	5.5
ROA (from adjusted net earnings)	1.1%	1.8%	0.7
Operating profit margin	3.34%	3.05%	(0.29)
Total income margin	6.96%	6.69%	(0.28)
Net interest margin	5.11%	4.74%	(0.37)
Net fee and commission margin	1.54%	1.60%	0.06
Net other non-interest income margin	0.31%	0.35%	0.04
Cost-to-asset ratio	3.62%	3.64%	0.02
Cost/income ratio	52.0%	54.4%	2.4

* From 2Q 2015 this item (booked within the net interest income of OTP Core from accounting point of view) is not shown separately among the one-off items, but on the net interest income line.

[3] Adjustments on the consolidated Statement of recognized income are summarised in the Supplementary data section of this report.

Performance indicators (continued)	2015	2016	%/pps
Risk cost for loan losses-to-average gross loans	3.18%	1.13%	(2.06)
Risk cost for loan losses-to-average FX-adjusted gross loans	3.15%	1.12%	(2.03)
Total risk cost-to-asset ratio	2.04%	0.85%	(1.19)
Effective tax rate	17.7%	17.8%	0.1
Non-interest income/total income	27%	29%	2
EPS base (HUF) (from unadjusted net earnings)	242	765	216
EPS diluted (HUF) (from unadjusted net earnings)	242	765	216
EPS base (HUF) (from adjusted net earnings)	459	761	66
EPS diluted (HUF) (from adjusted net earnings)	458	761	66
Comprehensive Income Statement	**2015**	**2016**	**%**
Consolidated after tax profit	63,171	202,452	220
Fair value adjustment of securities available-for-sale (recognised directly through equity)	(246)	11,824	
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	0	0	
Fair value adjustment of strategic open FX position hedging net investment in foreign operations	431	525	22
Foreign currency translation difference	(44,301)	24,554	(155)
Change of actuarial losses (IAS 19)	(171)	61	(136)
Net comprehensive income	**18,884**	**239,416**	
o/w Net comprehensive income attributable to equity holders	19,582	238,775	
Net comprehensive income attributable to non-controlling interest	(698)	641	(192)

Average exchange rate	2015 HUF	2016 HUF	Change %
HUF/EUR	310	311	1
HUF/CHF	291	286	(2)
HUF/USD	279	281	1

ASSET-LIABILITY MANAGEMENT

Similar to previous periods OTP Group maintained a strong and safe liquidity position…

The primary objective of OTP Group in terms of asset-liability management has not changed, that is to ensure that the Group's liquidity is maintained at a safe level.
Refinancing sources of the European Central Bank are still available for OTP, thus the refinancing risk of maturing FX mortgage bonds is low. As a result of the high level of liquidity reserves, the Group could safely function without considerable fund raising, only refinancing loan of Funding for Growth Scheme was used in the amount of HUF 7 billion (HUF 242 billion was the total used amount at group level as at end of 2H 2016).
After the non-refinanced EUR 500 million subordinated debt maturity in September the total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 31 December 2016 the gross liquidity buffer was above EUR 8 billion equivalent. This buffer is significantly higher than the maturing debt within one year and the reserves required to protect against possible liquidity shocks. Due to governmental FX lending measures and FX loan conversion FX liquidity need of the Group has considerably declined. The maturing long-term FX-swaps were not refinanced and the ECB refinancing facilities are currently not utilized the FX liquidity reserves are at safe levels (at EUR 1.73 billion on 31 December 2016).
The volume of issued securities decreased by 39% y-o-y. The yearly decrease is mainly explained by the shrinkage of Hungarian retail and institutional bonds, the reclassification of Merkantil bonds into deposits in the amount of HUF 30 billion; additionally Hungarian mortgage bonds matured in the amount of about HUF 5.9 billion, and the volume of mortgage bonds issued by the Slovakian bank shrank by HUF 2.5 billion equivalent.
The volume of subordinated debt decreased by HUF 157 billion y-o-y, reasoned by a subordinated bond repayment of OTP Bank in the amount of EUR 500 million in 3Q.

…and kept its interest-rate risk exposures low.

Interest-rate risk exposure of OTP Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd. Due to the forint liabilities on OTP Bank's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank considers the reduction and closing of this exposure as a strategic matter. Consequently it has been reducing its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of declining yields on net interest income.

Market Risk Exposure of OTP Group

The consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 45.2 billion in total, primarily due to the capital requirement of the FX risk exposure. OTP Group is an active participant of the international FX and derivative market. Open FX positions of group members are restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. The open positions of the group members outside Hungary except for the Bulgarian DSK Bank – the EUR/BGN exposure of DSK under the current exchange rate regime does not represent real risk – were negligible measured against either the balance sheet total or the regulatory capital. Therefore the group level FX exposure was concentrated at OTP Bank. Thus the main part of the FX exposure booked at OTP Bank – in line with the previous years' practice – was the strategic open FX position kept to hedge the currency risk of the expected FX-denominated net earnings (EUR 310 million for 2 years) of the main foreign subsidiaries.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OTP GROUP

Main components of balance sheet	2015 HUF million	2016 HUF million	Change %
TOTAL ASSETS	**10,718,848**	**11,307,665**	**5**
Cash and amount due from banks	1,878,961	1,625,357	(13)
Placements with other banks	300,569	363,530	21
Financial assets at fair value	253,782	293,106	15
Securities available-for-sale	1,305,486	1,527,093	17
Net customer loans	5,409,967	5,736,232	6
Net customer loans (FX-adjusted*)	**5,454,536**	**5,736,232**	**5**
Gross customer loans	6,423,588	6,680,504	4
Gross customer loans (FX-adjusted*)	**6,483,245**	**6,680,504**	**3**
o/w Retail loans	4,323,854	4,398,239	2
Retail mortgage loans (incl. home equity)	2,328,706	2,357,614	1
Retail consumer loans	1,500,572	1,520,476	1
SME loans	494,577	520,149	5
Corporate loans	1,892,757	2,017,725	7
Loans to medium and large corporates	1,799,890	1,943,863	8
Municipal loans	92,867	73,862	(20)
Car financing loans	210,838	217,898	3
Bills and accrued interest receivables related to loans	55,795	46,641	(16)
Allowances for loan losses	(1,013,620)	(944,273)	(7)
Allowances for loan losses (FX-adjusted*)	(1,028,709)	(944,273)	(8)
Equity investments	10,028	9,836	(2)
Securities held-to-maturity	926,677	1,114,227	20
Premises, equipment and intangible assets, net	349,469	355,516	2
o/w Goodwill, net	95,994	104,282	9
Premises, equipment and other intangible assets, net	253,475	251,234	(1)
Other assets	283,909	282,770	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,718,848**	**11,307,665**	**5**
Liabilities to credit institutions and governments	533,310	543,775	2
Customer deposits	7,984,579	8,540,583	7
Customer deposits (FX-adjusted*)	**8,025,435**	**8,540,583**	**6**
o/w Retail deposits	5,699,031	6,139,337	8
Household deposits	4,773,719	5,141,627	8
SME deposits	925,312	997,711	8
Corporate deposits	2,306,862	2,385,603	3
Deposits to medium and large corporates	1,899,476	1,844,184	(3)
Municipal deposits	407,386	541,419	33
Accrued interest payable related to customer deposits	19,542	15,644	(20)
Issued securities	239,376	146,900	(39)
o/w Retail bonds	64,777	36,921	(43)
Issued securities without retail bonds	174,599	109,978	(37)
Other liabilities	493,140	578,300	17
Subordinated bonds and loans**	234,784	77,458	(67)
Total shareholders' equity	**1,233,659**	**1,420,649**	**15**
Indicators	**2015**	**2016**	**%/pps**
Loan/deposit ratio (FX-adjusted*)	80%	78%	(2)
Net loan/(deposit + retail bond) ratio (FX-adjusted*)	67%	66%	0
90+ days past due loan volume	1,085,694	975,952	(10)
90+ days past due loans/gross customer loans	17.0%	14.7%	(2.3)
Total provisions/90+ days past due loans	93.4%	96.8%	3.4

* For the FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods.

** The ICES bonds are considered as Tier2 debt, but accounting-wise they are treated as part of the shareholders' equity.

Consolidated capital adequacy – Basel3	**2015**	**2016**	**pps**
Capital adequacy ratio (consolidated, IFRS)	16.2%	16.0%	(0.2)
Tier1 ratio	13.3%	13.5%	0.3
Common Equity Tier1 ('CET1') capital ratio	13.3%	13.5%	0.3
Regulatory capital (consolidated)	1,064,383	1,079,064	1
o/w Tier1 Capital	873,124	911,328	4
o/w Common Equity Tier1 capital	873,124	911,328	4
Tier2 Capital	191,259	167,736	(12)
o/w Hybrid Tier2	92,093	89,935	(2)
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	6,576,258	6,730,467	2
o/w RWA (Credit risk)	5,245,874	5,344,636	2
RWA (Market & Operational risk)	1,330,384	1,385,831	4

Closing exchange rates	**2015**	**2016**	**Change**
	HUF	**HUF**	**%**
HUF/EUR	313	311	(1)
HUF/CHF	289	289	0
HUF/USD	287	294	2

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognized income:

Main components of the Statement of recognised income	2015 HUF million	2016 HUF million	Change %
After tax profit without the effect of adjustments	123,359	122,194	(1)
Corporate income tax	(25,857)	(29,680)	15
Pre-tax profit	149,216	151,874	2
Operating profit	170,598	143,680	(16)
Total income	367,234	354,698	(3)
Net interest income	251,564	235,871	(6)
Net fees and commissions	97,480	100,213	3
Other net non-interest income	18,191	18,614	2
Operating expenses	(196,636)	(211,018)	7
Total risk costs	(25,555)	6,104	(124)
Provisions for possible loan losses	(21,550)	14,036	(165)
Other provisions	(4,005)	(7,933)	98
Total one-off items	4,172)	2,090	(50)
Revaluation result of FX swaps	(679)	-	0
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0	0
Revaluation result of the treasury share swap agreement	4,852	2,090	(57)
Revenues by Business Lines	**2015**	**2016**	**%**
RETAIL			
Total income	266,216	243,375	(9)
Net interest income	179,327	152,141	(15)
Net fees and commissions	83,510	87,333	5
Other net non-interest income	3,379	3,901	15
CORPORATE			
Total income	43,681	40,507	(7)
Net interest income	27,697	26,558	(9)
Net fees and commissions	14,997	12,808	(15)
Other net non-interest income	988	1,140	15
Treasury ALM			
Total income	55,626	66,824	20
Net interest income	44,540	57,172	28
Net fees and commissions	(1,102)	73	(107)
Other net non-interest income	12,187	9,579	(21)
Indicators	**2015**	**2016**	**pps**
ROE	10.3%	9.7%	(0.6)
ROA	1.8%	1.7%	0.0
Operating profit margin (operating profit/avg. total assets)	2.5%	2.0%	(0.4)
Total income margin	5.28%	5.06%	(0.22)
Net interest margin	3.62%	3.36%	(0.25)
Net fee and commission margin	1.40%	1.43%	0.03
Net other non-interest income margin	0.26%	0.27%	0.00
Operating costs to total assets ratio	2.8%	3.0%	0.2
Cost/income ratio	53.5%	59.5%	5.9
Cost of risk/average gross loans*	0.84%	(0.56%)	(1.40)
Cost of risk/average gross loans* (FX-adjusted)	0.82%	(0.56%)	(1.39)
Effective tax rate	17.3%	19.5%	2.2

- In 2016 OTP Core posted HUF 122.2 billion adjusted profit marking a 1% y-o-y decline
- The annual net interest income declined by 6% due to narrowing net interest margin
- On the total risk cost line the annual provisioning release represented HUF 6.1 billion
- Favourable credit quality trends remained intact, the DPD90+ ratio dropped below 10% (–2.3 pps y-o-y), the coverage decreased mainly because the AXA portfolio was taken over net of provisions (–3.1 pps y-o-y)

* Negative volume of Cost of risk/average gross loan volumes imply provision release.

P&L developments

Without the effect of adjustment items[4] **OTP Core** posted a profit after tax of HUF 122.2 billion in 2016 underpinning a 1% y-o-y decline.

The effective corporate income tax rate was 19.5% in 2016 practically the same as the Hungarian corporate tax rate. The tax shield effect on the revaluation of subsidiary investments as a result of HUF exchange rate moves caused HUF 3.1 billion tax saving in 2015, but resulted in HUF 2 billion additional tax payment in 2016. Since the switch from Hungarian Accounting Rules into IFRS financials became effective from January 2017 in Hungary, from 2017 the corporate tax line of OTP Core won't be distorted anymore by the tax shield related to the HUF exchange rate movements.

The annual profit before tax improved by 2% y-o-y since the 16% decline in operating result was offset by the massive decrease of total risk costs.

On the total risk costs line a release of 6.1 billion was recognized in 2016 versus HUF 25.6 billion total risk cost creation booked in 2015. Within that on the provisions for possible loan losses line HUF 14 billion release was recognized in 2016. The trend of credit quality improvement continued: the DPD90+ volumes adjusted for FX rate movements and sales and write offs grew by HUF 12 billion in 2016 versus HUF 11 billion in 2015.The take-over of the AXA portfolio itself increased the DPD90+ volumes by HUF 15 billion in 4Q 2016; without that the overall credit quality trends remained favourable. In 2016 overall DPD90+ volumes declined by HUF 34 billion y-o-y. These changes were influenced by non-performing loan sales and write offs, too: HUF 44 billion exposures were sold or written off in 2016. As a result, the DPD90+ ratio moderated by 2.3 pps y-o-y to 9.8%. The provision coverage ratio (82.7%) calculated as total provisions/ DPD90+ loans declined by 3.1 pps y-o-y, mainly explained by the AXA portfolio take-over net of provisions.

The annual total income eroded by 3%, within that the net interest income declined by 6% reasoned mainly by the y-o-y 25 bps lower net interest margin. The lower NIM was mainly driven by the declining interest rate environment that took its toll through lower deposit margins and lower gross interest income on customer loans. Furthermore, the structural changes within the loan book also had a negative NIM-effect as the share of corporate exposures with lower margins increased y-o-y.

The annual net fee and commission income increased by 3% y-o-y. The improvement was mainly due to stronger card-related fees induced by growing transactional turnover.

The annual other net non-interest income grew by 2% y-o-y.

Total one-off revenue items represented HUF 2.1 billion in 2016, mainly related to dividends received within the framework of the treasury share swap agreement.

Annual operating expenses increased by 7% y-o-y due to the following reasons: OTP had to pay y-o-y HUF 3 billion higher contributions into the National Deposit Protection Fund (OBA), the Investor Protection Fund (Beva) and the Resolution Fund. Furthermore, reviving business activity coupled with higher marketing spending, but higher deductible taxes and the one-off costs related to organizational changes occurring in 2Q played a role, too. Finally, at the Bank there was an average base salary increase of 4% in April 2016. The takeover of AXA businesses added almost HUF 640 million additional operating cost in 4Q 2016; two-third of this amount emerged on the personnel expenses line.

[4] Adjustments emerged in the presented periods: special tax on financial institutions, dividends and net cash transfers, goodwill impairment charges, impact of fines imposed by the Hungarian Competition Authority, one-off impact of regulatory changes in relation to consumer contracts, the impact of the related methodological changes and the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd., the gain realized on securities from the Visa Europe share transaction, the corporate tax impact of switching to IFRS from HAR in Hungary as well as the revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary.

[5] In 4Q 2016 the closing rate of HUF typically depreciated q-o-q against the functional currencies of the subsidiary investments. Therefore a revaluation gain was realized under Hungarian Accounting Standards when translating the value of these subsidiary investments into HUF, increasing the corporate tax base. So, the corporate income tax both under HAS and IFRS went up ceteris paribus.

Main components of OTP Core's Statement of financial position:

Main components of balance sheet closing balances	2015 HUF million	2016 HUF million	Change %
Total Assets	6,774,200	7,247,297	7
Net customer loans	2,145,475	2,398,694	12
Net customer loans (FX-adjusted)	**2,142,887**	**2,398,694**	**12**
Gross customer loans	2,394,362	2,610,277	9
Gross customer loans (FX-adjusted)	**2,392,865**	**2,610,277**	**9**
Retail loans	1,624,516	1,748,278	8
Retail mortgage loans (incl. home equity)	1,163,765	1,274,873	10
Retail consumer loans	316,985	315,357	(1)
SME loans	143,766	158,048	10
Corporate loans	768,349	862,000	12
Loans to medium and large corporates	747,207	838,586	12
Municipal loans	21,142	23,413	11
Provisions	(248,887)	(211,583)	(15)
Provisions (FX-adjusted)	**(249,979)**	**(211,583)**	**(15)**
Deposits from customers + retail bonds	4,559,728	4,942,606	8
Deposits from customers + retail bonds (FX-adjusted)	**4,559,928**	**4,942,606**	**8**
Retail deposits + retail bonds	2,859,725	3,201,149	12
Household deposits + retail bonds	2,358,402	2,635,416	12
o/w: Retail bonds	64,777	36,921	(43)
SME deposits	501,323	565,733	13
Corporate deposits	1,700,203	1,741,457	2
Deposits to medium and large corporates	1,337,805	1,231,876	(8)
Municipal deposits	362,398	509,581	41
Liabilities to credit institutions	376,886	329,442	(13)
Issued securities without retail bonds	202,309	192,097	(5)
Total shareholders' equity	1,210,949	1,312,464	8
Loan Quality	**2015**	**2016**	**%/pps**
90+ days past due loan volume (in HUF million)	290,052	255,841	(11.8)
90+ days past due loans/gross customer loans	12.1%	9.8%	(2.3)
Total provisions/90+ days past due loans	85.8%	82.7%	(3.1)
Market Share	**2015**	**2016**	**pps**
Loans	19.2%	21.0%	1.9
Deposits	25.5%	27.2%	1.7
Total Assets	26.0%	25.6%	(0.5)
Performance Indicators	**2015**	**2016**	**pps**
Net loans to (deposits + retail bonds) (FX-adjusted)	47%	49%	2
Leverage (Shareholder's Equity/Total Assets)	17.9%	18.1%	0.2
Leverage (Total Assets/Shareholder's Equity)	5.6x	5.5x	(0.1x)
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, HAS)	26.6%	27.7%	1.1
Common Equity Tier1 ratio (OTP Bank, non-consolidated, Basel3, HAS)	22.6%	24.8%	2.1

- Following the steady erosion of performing loan volumes in the last couple of years there was a 12% y-o-y increase in 2016, supported also by the take-over of AXA business volumes in November
- The dynamic portfolio expansion was visible in all segments: the performing SME and large corporate loans advanced by 11% and 15% y-o-y (FX-adjusted)
- Performing consumer loans grew by 4% y-o-y
- In 2016 new mortgage loan disbursements advanced by 40%. Performing mortgage volumes grew by 12%, without AXA they would have declined by 3%. In 2H 2016 the overall portfolio stabilized (without AXA)

Balance sheet trends

There has been a lending turnaround in 2016 at the Hungarian operation of OTP. In 2016 OTP Core's FX-adjusted gross loan portfolio increased by 9%. However, due to the sales and write-offs of non-performing loans during 2016 performing (DPD0–90) loan volume developments are more illustrative: they advanced by 12% y-o-y.

On 1 November 2016 OTP Bank has taken over the retail lending and savings, as well as the corporate businesses of AXA Bank, while the employees of AXA Bank have been transferred

to OTP Bank by 1 November 2016 within the framework of an employer's succession.
The migrated loan portfolio consisted of almost 100% mortgages. Altogether HUF 162 billion net performing (DPD0–90) mortgage loans and HUF 15 billion net DPD90+ mortgage loans were migrated on 1 November. Due to normal amortization and early repayments during November and December, as well as accounting corrections and other technical effects the gross performing volumes represented HUF 154 billion at the end of December 2016.
Adjusted for the AXA-effect (i.e. deducting the end-2016 balance of loans taken over from AXA) the performing loan portfolio of OTP Core grew by 5% y-o-y. Without the AXA-effect the mortgage book would have shrunk by 3% y-o-y and would have remained basically flat in 2H 2016.
The organic portfolio expansion was mainly fuelled by the corporate volumes: the gross micro and small enterprise loan portfolio advanced by 11% y-o-y, while the large corporate exposures grew by 15%. It is important that the agricultural financing which is considered by the Bank as a strategic area within corporate lending demonstrated a strong increase in new disbursements in 4Q similar to the previous quarter; OTP's market share edged up steadily and already exceeded 18% according to latest available data.
In 2016 the National Bank of Hungary launched the third, so called "phasing out" part of the Funding for Growth Scheme. According to the data published by the NBH on 3 January 2017 the Hungarian credit institutions participating in the scheme have already contracted for HUF 473 billion by the end of 2016 of which OTP's share represented HUF 74 billion. In October 2016 NBH decided about applying more flexible conditions for utilizing FGS loan facilities and also extended the drawdown deadline by 6 months (until 29 June 2018). In November the Monetary Council decided to extend the deadline for conclusion of loan contracts until 31 March 2017.
New mortgage disbursements[6] showed a favourable trend (+40% y-o-y). OTP Bank's market share in new mortgage loan contractual amounts reached 29.1% in 2016.
As for the new mortgage applications, application volumes at OTP Bank exceeded HUF 239 billion (+70% y-o-y). State subsidized housing loan applications increased substantially (+127% y-o-y) due to the demand generated by the Housing Subsidy for Families (CSOK). Thus, within the total housing loan applications the demand for the subsidized housing loans represented 44% (versus 35% in 2015).
OTP Bank experienced strong business activity for the extended CSOK facility, too: in 2016 close to 10,500 applications were registered with a value of over HUF 34 billion. Applicants also combined CSOK with subsidized or market-based loan applications in the amount of HUF 47 billion.
The performing consumer loan volumes advanced by 4% y-o-y, within that cash loan volumes kept growing (+13% y-o-y).
OTP's market share in the cash loan segment remained strong both in terms of stock and new disbursements. At the end of December the bank had a market share of 32.5% in total cash loan volumes. OTP Bank's market share in new cash loan flows reached 36% in 2016.
FX-adjusted deposit volumes (including retail bonds) increased by 8% y-o-y on an FX-adjusted basis. The annual increase was induced primarily by retail and municipal deposit inflows. The volume of retail deposits (with retail bonds) advanced by 12%, whereas the municipality deposits advanced by 41%.
The year-end volume of deposits taken over from AXA added HUF 60 billion to the overall deposit volumes, of that HUF 51 billion was household deposit.
On 20 September the National Bank of Hungary announced that the cumulative volume of 3 months deposits placed with the central bank can't exceed HUF 900 billion through the October, November and December 2016 tenders. Starting from August 2016 the frequency of 3M deposit tenders changed from a weekly one to a monthly one. By the end of December 2016 OTP kept HUF 212 billion in the 3 months instruments with NBH. According to the decision of the Monetary Council in December 2016 the maximum amount of 3 months deposits placed with the central bank in 1Q 2017 was further reduced and set at HUF 750 billion. The overnight central bank deposit interest rate remained unchanged at –5 bps since 23 March 2016.

[6] Mortgage loan application and disbursement statistics include the performance of OTP Building Society.

OTP FUND MANAGEMENT (HUNGARY)

Changes in assets under management and financial performance of OTP Fund Management:

Main components of P&L account	2015 HUF million	2016 HUF million	Change %
After tax profit w/o dividends and net cash transfer	4,817	6,658	38
Income tax	(897)	(1,379)	54
Profit before income tax	5,714	8,038	41
Operating profit	5,922	7,816	32
Total income	7,951	10,232	29
Net interest income	0	0	509
Net fees and commissions	7,942	10,217	29
Other net non-interest income	9	15	67
Operating expenses	(2,029)	(2,416)	19
Other provisions	(208)	222	(206)
Main components of balance sheet closing balances	**2015**	**2016**	**%**
Total assets	12,924	17,780	38
Total shareholders' equity	8,314	14,995	80
Asset under management	**2015 HUF billion**	**2016 HUF billion**	**Change %**
Assets under management, total (w/o duplicates)	**1,576**	**1,530**	**(3)**
Retail investment funds (closing, w/o duplicates)	1,079	1,000	(7)
Volume of managed assets (closing, w/o duplicates)	497	530	7
Volume of investment funds (with duplicates)	**1,204**	**1,153**	**(4)**
money market	378	295	(22)
bond	419	412	(2)
mixed	21	25	19
security	109	123	13
guaranteed	105	61	(42)
other	171	237	38

The **OTP Fund Management** posted HUF 6.7 billion profit after tax in 2016 which is 38% higher than in 2015.

The full-year 2016 operating profit grew by 32% y-o-y, which was the result of increasing net fees and commissions income (+29% y-o-y) on one hand and higher operating expenses (+19% y-o-y) on the other. The surging fees and commissions income is mainly reasoned by the performance fees registered in 4Q.

Considering the whole market, in 2016 the managed assets of BAMOSZ members slightly increased y-o-y.

Although the total volume of managed assets varied within a narrow range during the whole year, realignments can be seen in certain categories: money market funds and fixed income funds suffered capital outflow, while derivative funds, commodity funds and real estate funds experienced increasing capital inflow.

Assets under management at the Company dwindled by 4% y-o-y. The structural shift within the different types of investment funds influenced the assets of OTP Fund Management, too.

The volume of mixed funds, equity funds and other asset classes grew, while money market fund, debt funds and fixed income funds shrunk.

The market share of OTP Fund Management (without duplications) was 19.9%, lower by 3.7 pps compared to the end of 2015. The Company still holds its market leading position.

MERKANTIL GROUP (HUNGARY)[7]

Performance of Merkantil Bank and Car:

Main components of P&L account	2015 HUF million	2016 HUF million	Change %
After tax profit without the effect of adjustments	1,625	2,605	60
Income tax	0	(43)	(100)
Profit before income tax	1,625	2,648	63
Operating profit	6,678	7,370	10
Total income	13,062	13,427	3
Net interest income	17,736	16,837	(5)
Net fees and commissions	(2,536)	(991)	(61)
Other net non-interest income	(2,138)	(2,419)	13
Operating expenses	(6,383)	(6,057)	(5)
Total provisions	(5,053)	(4,722)	(7)
Provision for possible loan losses	(5,064)	(3,374)	(33)
Other provision	11	(1,348)	
Main components of balance sheet closing balances	**2015**	**2016**	**%**
Total assets	332,791	349,891	5
Gross customer loans	274,024	286,296	4
Gross customer loans (FX-adjusted)	273,955	286,296	5
Retail loans	22,237	25,498	15
Corporate loans	82,636	87,329	6
Car financing loans	169,082	173,469	3
Allowances for possible loan losses	(36,075)	(37,051)	3
Allowances for possible loan losses (FX-adjusted)	(36,075)	(37,051)	3
Deposits from customers	10,910	34,554	217
Deposits from customer (FX-adjusted)	10,910	34,554	217
Retail deposits	3,280	28,493	769
Corporate deposits	7,630	6,060	(21)
Liabilities to credit institutions	256,997	286,401	11
Issued securities	35,004	3	(100)
Total shareholders' equity	21,146	24,530	16
Loan Quality	**2015**	**2016**	**%/pps**
90+ days past due loan volume (in HUF million)	29,451	32,356	10
90+ days past due loans/gross customer loans	10.7%	11.3%	0.6
Cost of risk/average gross loans	1.88%	1.20%	(0.68)
Cost of risk/average (FX-adjusted) gross loans	1.85%	1.20%	(0.64)
Total provisions/90+ days past due loans	122.5%	114.5%	(8.0)
Performance Indicators	**2015**	**2016**	**pps**
ROA	0.5%	0.8%	0.3
ROE	7.9%	11.4%	3.5
Total income margin	4.04%	3.93%	(0.11)
Net interest margin	5.49%	4.93%	(0.56)
Cost/income ratio	48.9%	45.1%	(3.8)

The **Merkantil Bank and Car** posted HUF 2.6 billion aggregated adjusted after tax profit in 2016 versus HUF 1.6 billion net earnings in the base period (+60% y-o-y). The higher operating profit (+10% y-o-y) was fuelled mainly by a strong performance in 4Q. Total risk costs in 2016 dropped by 7% y-o-y. The total income increased by 3% y-o-y. Within that the comparability of net interest income and net fees and commissions income with the base period is distorted by changes in the methodology[8].

Furthermore, in 4Q a HUF 1.5 billion one-off item supported the net interest income line due to a change in the accounting treatment. Formerly, the booked but unpaid interest in case of exposures with over 30 days delinquency in the previous period was recorded under suspended off-balance sheet interest pursuant to HAR (and not recognized in the income statement). In December 2016 the switching to IFRS induced the realization of suspended interests on the net interest income line within income statement. At the same risk

[7] Excluding Merkantil Bérlet and Merkantil Ingatlanlízing Zrt.
[8] Fee expenses paid to dealers (being part of net interest income from accounting point of view) were reclassified from net interest income to the net fee income line in the P&L of Merkantil until 4Q 2015. Starting from 1Q 2016 this adjustment has been discontinued.

costs for possible loan losses and other risk costs were booked, too.

Operating expenses declined by 5% y-o-y: while postages and the volume of deductible taxes dropped, marketing expenses increased

Total risk cost declined by 7% y-o-y. Higher annual other risk costs were due to the switching to IFRS and provision created for litigations. Possible loan losses fell by a quarter. In 4Q DPD90+ volumes (adjusted for FX rate changes and sold and written off volumes) increased by HUF 0.4 billion against an average of HUF 1.6 billion for the last three quarters. The ratio of DPD90+ loans increased by 0.6 pp q-o-q to 11.3%, while the total coverage ratio of 114,5% decreased by 8 pps y-o-y).

The FX-adjusted loan portfolio expanded by 5% on a yearly basis due to the favourable origination activity in the corporate) and car loan segments (+6% and +3% y-o-y, respectively). Total new loan origination eroded by 4% y-o-y, albeit within that the volume of newly disbursed car loans improved by 9% y-o-y. Merkantil Bank and Car is a market leader in terms of new loan disbursements and volumes.

IFRS reports of the main foreign subsidiaries of OTP Bank

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account	2015 HUF million	2016 HUF million	Change %
After tax profit without the effect of adjustments	52,537	47,385	(10)
Income tax	(5,729)	(4,997)	(13)
Profit before income tax	58,266	52,381	(10)
Operating profit	73,136	70,113	(4)
Total income	114,440	112,503	(2)
Net interest income	88,674	84,023	(5)
Net fees and commissions	23,013	26,034	13
Other net non-interest income	2,752	2,445	(11)
Operating expenses	(41,303)	(42,391)	3
Total provisions	(14,870)	(17,731)	19
Provision for possible loan losses	(14,650)	(12,980)	(11)
Other provision	(220)	(4,751)	
Main components of balance sheet closing balances	**2015**	**2016**	**%**
Total assets	1,778,326	1,852,901	4
Gross customer loans	1,158,894	1,151,210	(1)
Gross customer loans (FX-adjusted)	1,151,148	1,151,210	0
Retail loans	852,641	824,614	(3)
Corporate loans	298,507	326,596	9
Allowances for possible loan losses	(164,898)	(142,386)	(14)
Allowances for possible loan losses (FX-adjusted)	(163,837)	(142,386)	(13)
Deposits from customers	1,489,542	1,547,669	4
Deposits from customer (FX-adjusted)	1,482,405	1,547,669	4
Retail deposits	1,243,730	1,329,264	7
Corporate deposits	238,675	218,405	(8)
Liabilities to credit institutions	14,951	21,782	46
Total shareholders' equity	253,468	247,267	(2)
Loan Quality	**2015**	**2016**	**%/pps**
90+ days past due loan volume (in HUF million)	172,124	131,889	(23)
90+ days past due loans/gross customer loans	14.9%	11.5%	(3.4)
Cost of risk/average gross loans	1.26%	1.12%	(0.14)
Cost of risk/average (FX-adjusted) gross loans	1.28%	1.13%	(0.15)
Total provisions/90+ days past due loans	95.8%	108.0%	12.2
Performance Indicators	**2015**	**2016**	**pps**
ROA	3.1%	2.6%	(0.5)
ROE	21.0%	18.9%	(2.0)
Total income margin	6.77%	6.20%	(0.57)
Net interest margin	5.24%	4.63%	(0.62)
Cost/income ratio	36.1%	37.7%	1.6
Net loans to deposits (FX-adjusted)	67%	65%	(1)
FX rates	**2015 HUF**	**2016 HUF**	**Change %**
HUF/BGN (closing)	160.1	159.0	(1)
HUF/BGN (average)	158.5	159.3	1

- The full-year 2016 profit reached HUF 47.4 billion (–10% y-o-y); the results were shaped mainly by higher total risk costs and moderating net interest income
- The annual net interest income eroded by 5%; the net interest margin eroded in 2016
- Loan quality developments remained favourable: the DPD90+ ratio declined and the coverage improved
- Higher lending activity: outstanding performing corporate loan growth of 15%; basically stagnating performing volumes on the household side

DSK Group posted an after tax profit of HUF 47.4 billion in 2016 (–10% compared with the previous year's record high result), marking a return on equity (ROE) of 18.9%.

The operating profit moderated by 4%. Within total income the net interest income eroded by 5% y-o-y, which was attributable mainly to the continuing repricing and refinancing of household loans that resulted in declining interest revenues through lower margins, as well as to the steadily decreasing interest rate environment observed through 2016. The above effects were only partially mitigated by the further declining interest expenditures on deposits along with reduced deposit interest rates. The net interest income was also shaped by the change in the methodology effective from October 2015 regarding the accounting treatment of recoveries collected from DPD90+ exposures. The net interest margin declined by 62 bps y-o-y to 4.63%, explained partially by the above reasons, but also by the dilutive effect of steady deposit inflow inducing faster growth in average total assets (+7% y-o-y) than in loans.

The net fee and commission income grew by 13% as deposits and transactions-related fee revenues rose parallel with expanding business volumes and stronger account keeping fee income. Soaring corporate loan disbursements also helped fee income generation.

Other net non-interest income (making up 2% of total income) weakened by 11% y-o-y.

Operating expenses went up by 3% y-o-y in 2016, mainly due to higher personnel expenses and marketing costs, but the expert fees on the local AQR process emerged in 2Q 2016 played a role, too. On the other hand, supervisory fees and deductible taxes moderated y-o-y.

Credit quality trends remained healthy. During the whole year the ratio of DPD90+ loans to total gross loans sank to 11.5% (–3.4 pps y-o-y). At the same time, the total provision coverage ratio of DPD90+ loans edged up to 108%. In 2016 altogether HUF 35 billion non-performing portfolio was sold or written off. The FX-adjusted DPD90+ volume changes excluding the impact of loan sales and write-offs remained favourable (in HUF billion: 2015: 6, 2016: –3). With respect to this indicator, especially the mortgage and corporate loans showed improvement during 2016.

Total risk costs went up by 19% y-o-y in 2016. Within that, loan-related risk costs fell by 11%, thus the risk cost rate moderated to 112 bps (–14 bps y-o-y). The bank's consistently conservative and prudent provisioning policy has not changed. The y-o-y increase of risk costs is partially explained by the tightening of the classification of restructured loans. This methodological change resulted in an incremental risk cost of around HUF 4 billion in 4Q 2016. (According to the new methodology, restructured loans remain in restructured category for longer after the resumption of payment on schedule.)

In 2016 the other risk cost line was shaped mainly by provisions for potential future losses booked in 4Q 2016.

Business activity demonstrated a strengthening trend: the FX-adjusted performing (DPD0–90) loan portfolio grew by 4% y-o-y, fuelled mainly by outstanding corporate loan dynamics (+15% y-o-y FX-adjusted) supported by the doubling new corporate loan origination. DSK Bank's market share in the corporate loan stock stood at 7.5% at the end of 2016, up from 7% a year ago.

As for the retail segment, performing mortgage loans eroded by a mere 1%, whereas DPD0–90 consumer loans remained stable y-o-y (FX-adjusted). Annual mortgage loan disbursements advanced by 3%, and new consumer loan sales were up by 7% y-o-y.

As a result of non-performing loan sales and write-offs the FX-adjusted total gross loan portfolio remained stable y-o-y.

The FX-adjusted deposit base advanced by 4% y-o-y. Retail deposits grew by 7% y-o-y, despite persistently lower than market average and even gradually further declining deposit rates offered by DSK Bank. Corporate deposits saw an 8% y-o-y decline (FX-adjusted).

[9] Effective from October 2015 the accounting treatment of recoveries collected from DPD90+ exposures has been changed. According to the previous methodology such recoveries were treated as recoveries of the previously suspended off-balance sheet interest income. Starting from October the order of accounting changed; consequently recoveries reduce on-balance sheet claims first. The change in methodology affects the provisions for possible loan losses, too. Therefore it is neutral for the profit after tax and influences the structure of the P&L account only.

The capital adequacy ratio of DSK Bank calculated in accordance with local regulation stood at 17.6%. The reason behind the 2% y-o-y decrease of shareholders' equity was the dividend payment to the mother company.

Following the completion of the AQR, the Bulgarian National Bank published the results of the stress test on 13 August 2016. The results confirmed that DSK Bank's capital position is strong and stable.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account	2015 HUF million	2016 HUF million	Change %
After tax profit w/o dividends and net cash transfer	(15,101)	20,535	(236)
Income tax	3,318	(6,480)	(295)
Profit before income tax	(18,419)	27,015	(247)
Operating profit	64,515	61,866	(4)
Total income	113,052	106,155	(6)
Net interest income	97,871	91,816	(6)
Net fees and commissions	14,478	14,098	(3)
Other net non-interest income	703	240	(66)
Operating expenses	(48,536)	(44,289)	(9)
Total provisions	(82,934)	(34,851)	(58)
Provision for possible loan losses	(82,060)	(33,988)	(59)
Other provision	(874)	(863)	(1)
Main components of balance sheet closing balances	**2015**	**2016**	**%**
Total assets	507,082	622,666	23
Gross customer loans	393,914	490,086	24
Gross customer loans (FX-adjusted)	477,900	490,086	3
Retail loans	443,218	450,353	2
Corporate loans	32,879	38,528	17
Car financing loans	1,803	1,205	(33)
Gross DPD0–90 customer loans (FX-adjusted)	385,763	391,062	1
Retail loans	357,319	357,183	0
Allowances for possible loan losses	(88,017)	(116,458)	32
Allowances for possible loan losses (FX-adjusted)	(106,216)	(116,458)	10
Deposits from customers	307,646	345,241	12
Deposits from customer (FX-adjusted)	369,171	345,241	(6)
Retail deposits	303,511	279,980	(8)
Corporate deposits	65,659	65,261	(1)
Liabilities to credit institutions	42,974	91,641	113
Issued securities	1,024	1,038	0
Subordinated debt	21,820	24,778	14
Total shareholders' equity	89,504	125,190	40
Loan Quality	**2015**	**2016**	**%/pps**
90+ days past due loan volume (in HUF million)	76,403	99,024	30
90+ days past due loans/gross customer loans	19.4%	20.2%	0.8
Cost of risk/average gross loans	17.05%	7.69%	(9.36)
Cost of risk/average (FX-adjusted) gross loans	15.07%	7.02%	(8.04)
Total provisions/90+ days past due loans	115.2%	117.6%	2.4
Performance Indicators	**2015**	**2016**	**pps**
ROA	(2.4%)	3.6%	6.0
ROE	(15.0%)	19.1%	34.1
Total income margin	17.98%	18.79%	0.82
Net interest margin	15.56%	16.25%	0.69
Cost/income ratio	42.9%	41.7%	(1.2)
Net loans to deposits (FX-adjusted)	101%	108%	8
FX rates	**2015 HUF**	**2016 HUF**	**Change %**
HUF/RUB (closing)	3.9	4.8	23
HUF/RUB (average)	4.6	4.2	(8)

- Profitable operation in each and every quarter of 2016, HUF 20.5 billion after tax profit in 2016 is the result of operating profit improving by 5% in RUB terms and risk cost halving y-o-y
- Pace of portfolio deterioration moderated further, DPD90+ ratio stood at around 20%
- Net interest margin widened in 2016
- FX-adjusted annual performing loan volume change turned into positive (+1% y-o-y)

The HUF denominated financial figures of OTP Bank Russia are distorted by the HUF/RUB moves: the 4Q 2016 closing exchange rate showed a 23% y-o-y rouble strengthening; while the average 2016 exchange rate depreciated by 8% y-o-y. Therefore local currency P&L dynamics can be materially different from those in HUF terms.

After two loss-making years in 2016 **OTP Bank Russia** delivered its third ever highest profit in RUB terms and realised HUF 20.5 billion after tax profit. This is a material improvement over the HUF 15.1 billion loss in the base period. The main driver behind the substantial change was the 54% drop of risk cost in RUB terms, in addition performing loans increased on the yearly basis and the moderating funding costs also helped.

As for the rouble denominated profit dynamics, the 2016 operating profit development (+5% y-o-y) was driven by the 3% y-o-y growth of total income, while operating expenses fell by 1%.

The net interest income for the year increased by 3% y-o-y in rouble terms, despite average performing loan portfolio was smaller compared to the base period Only with a seasonally strong disbursement activity at the end of year the bank managed to exceed the 2015 year-end closing volume y-o-y. The interest income decrease induced by lower loan volumes was counterbalanced by the decrease of interest rates of liabilities, as a result the yearly net interest margin improved by 2.5 pps y-o-y in RUB terms. In 4Q net interest income increased by 5% q-o-q: funding cost further diminished and performing loan volumes grew – however with narrowing interest margins earned on loans.

The 2016 net fee and commission income advanced by 7% y-o-y in RUB terms supported by insurance fee income on cash loans with insurance and other lending related F&C income.

Operating expenses in 2016 decreased by 1% y-o-y in RUB terms in spite of the 7% yearly average Russian inflation rate (adjusted to the one-off[10] item in 3Q 2016 it would have decreased by 3%). Branch network rationalisation was practically completed in the first half of 2015; number of branches was stable in the course of 2016. The number of the Bank's employees (without agents) decreased by 1% y-o-y to 4,744 while the number of agents remained practically the same.

The FX-adjusted DPD90+ volume growth excluding the impact of sold/written-off non-performing loans showed a trend-like moderation after 2Q 2015, so the total growth in 2016 was less than half of the 2015 figure (in HUF billion: 2015: 110, 2016: 48).

The DPD90+ ratio increased by 0.8 pps y-o-y to 20.2% in 2016. The improvement was supported in 2016 by the sale and write-off of non-performing loans in the amount of RUB 6.5 billion. The development of total risk cost demonstrated a favourable trend: in 2016 it decreased y-o-y by 54% in rouble terms. In 2016 the risk cost rate decreased considerably and sank below 8%. The total provision coverage of DPD90+ loans was 117.6% by the end of 2016 (+2 pps y-o-y).

Due to the favourable loan sales dynamics in the second half of the year the FX-adjusted performing (DPD0–90) consumer loan portfolio increased by 1% y-o-y. POS lending strengthened, the 2016 disbursements were higher by 27% compared to 2015 levels. In 2016 FX-adjusted performing POS loan volumes

[10] In 3Q 2016 deposit protection fund contributions paid in the first nine months of 2016 have been reclassified from the other net non-interest income line to operating expenses. Thus for the whole year other net non-interest income increased by about HUF 1 billion and operating expenses grew in absolute terms by the same amount.

advanced by 17% y-o-y. With regards to cross-sale of credit cards, the mass delivery of credit characterised mainly 3Q, in 4Q the number of sent cards declined. As a result, the erosion of the FX-adjusted performing card loan volumes continued (–24% y-o-y). Yearly disbursed volumes of cash loans more than doubled y-o-y in 2016. The FX-adjusted volume of performing cash loans increased by 7% y-o-y. FX-adjusted performing corporate loan volumes surged significantly in 4Q, as a result the annual growth of volumes was 20% y-o-y, mainly due to the favourable development of working capital financing and commercial factoring.

FX-adjusted total deposits contracted by 6% y-o-y. The FX-adjusted net loan-to-deposit ratio stood at 108% at the end of 2016 (+8 pps y-o-y). The capital adequacy ratio of the bank calculated in line with local regulation stood at 16.2% at the end of 2016 (+0.8 pp y-o-y).

TOUCH BANK (RUSSIA)

Performance of Touch Bank:

Main components of P&L account	2015 HUF million	2016 HUF million	Change %
After tax profit w/o dividends and net cash transfer	(4,840)	(5,898)	22
Income tax	1,189	1,468	23
Profit before income tax	(6,029)	(7,366)	22
Operating profit	(6,020)	(7,328)	22
Total income	(241)	(122)	(49)
Net interest income	(155)	209	(235)
Net fees and commissions	(84)	(349)	314
Other net non-interest income	(2)	17	
Operating expenses	(5,779)	(7,205)	25
Total provisions	(9)	(38)	346
Provision for possible loan losses	0	(33)	
Other provision	(9)	(5)	(43)
Main components of balance sheet closing balances	**2015**	**2016**	**%**
Total assets	7,410	26,141	253
Gross customer loans	4	1,609	
Gross customer loans (FX-adjusted)	5	1,609	
Retail loans	5	1,609	
Corporate loans	0	0	
Allowances for possible loan losses	0	(36)	
Allowances for possible loan losses (FX-adjusted)	0	(36)	
Deposits from customers	4,250	20,455	381
Deposits from customer (FX-adjusted)	5,220	20,455	292
Retail deposits	5,220	20,455	292
Corporate deposits	0	0	
Liabilities to credit institutions	4	0	(100)
Subordinated debt	1,653	0	(100)
Total shareholders' equity	1,474	5,585	279
Loan Quality	**2015**	**2016**	**%/pps**
90+ days past due loan volume (in HUF million)	0	5	
Cost of risk/average gross loans	2.60%	4.13%	1.53
Cost of risk/average (FX-adjusted) gross loans	2.11%	4.13%	2.02
FX rates	**2015 HUF**	**2016 HUF**	**Change %**
HUF/RUB (closing)	3.9	4.8	23
HUF/RUB (average)	4.6	4.2	(8)

- HUF 5.9 billion loss in 2016
- Intensifying business activity, about 62 thousand activated cards, slowly growing cross-sale lending activities
- Around four-fold growth in total deposits in rouble terms (2016: HUF 20.5 billion)

Touch Bank is part of OTP Bank Russia from legal point of view, and it is operating under the same banking license, but as a separate digital banking business line. In order to provide transparent information Touch Bank is presented as a separate virtual entity.

The 2016 result of **Touch Bank** in its second year of operation was shaped again by the operating expenditures. For the whole year HUF 5.9 billion after tax loss was realized. The yearly loss shows a 30% increase compared to 2015 in rouble terms. The acquisition of new customers continued: by the end of 2016 the number of activated cards reached 62 thousand. Total deposits expanded four-fold y-o-y on an FX-adjusted basis and almost reached HUF 20.5 billion equivalent. Credit card and revolving cash loan origination started to accelerate in March, total loan portfolio was HUF 1.6 billion by year-end.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account	2015 HUF million	2016 HUF million	Change %
After tax profit without the effect of adjustments	(40,312)	10,202	(125)
Income tax	1,918	(1,477)	(177)
Profit before income tax	(42,230)	11,679	(128)
Operating profit	25,185	22,217	(12)
Total income	41,087	37,304	(9)
Net interest income	29,146	26,478	(9)
Net fees and commissions	7,915	8,746	10
Other net non-interest income	4,025	2,080	(48)
Operating expenses	(15,902)	(15,087)	(5)
Total provisions	(67,414)	(10,538)	(84)
Provision for possible loan losses	(65,891)	(11,866)	(82)
Other provision	(1,523)	1,328	(187)
Main components of balance sheet closing balances	**2015**	**2016**	**%**
Total assets	292,882	307,117	5
Gross customer loans	421,330	381,662	(9)
Gross customer loans (FX-adjusted)	415,512	381,662	(8)
Retail loans	214,527	164,404	(23)
Corporate loans	177,208	195,539	10
Car financing loans	23,777	21,719	(9)
Gross DPD0–90 customer loans (FX-adjusted)	210,892	221,653	5
Retail loans	52,811	50,102	(5)
Corporate loans	146,764	159,093	8
Car financing loans	11,316	12,457	10
Allowances for possible loan losses	(242,515)	(189,450)	(22)
Allowances for possible loan losses (FX-adjusted)	(241,894)	(189,450)	(22)
Deposits from customers	211,346	228,568	8
Deposits from customer (FX-adjusted)	203,157	228,568	13
Retail deposits	122,776	107,465	(12)
Corporate deposits	80,381	121,103	51
Liabilities to credit institutions	99,083	46,270	(53)
Subordinated debt	8,571	0	(100)
Total shareholders' equity	(34,804)	24,243	(170)
Loan Quality	**2015**	**2016**	**%/pps**
90+ days past due loan volume (in HUF million)	204,635	160,009	(22)
90+ days past due loans/gross customer loans	48.569%	41.9%	(6.6)
Cost of risk/average gross loans	13.32%	2.96%	(10.36)
Cost of risk/average (FX-adjusted) gross loans	13.36%	2.98%	(10.38)
Total provisions/90+ days past due loans	118.5%	118.4%	(0.1)
Performance Indicators	**2015**	**2016**	**pps**
ROA	(11.3%)	3.4%	14.7
ROE	n/a	n/a	
Total income margin	11.49%	12.43%	0.94
Net interest margin	8.15%	8.83%	0.68
Cost/income ratio	38.7%	40.4%	1.7
Net loans to deposits (FX-adjusted)	85%	84%	(1)
FX rates	**2015 HUF**	**2016 HUF**	**Change %**
HUF/UAH (closing)	11.9	10.8	(9)
HUF/UAH (average)	12.9	11.0	(15)

- In 2016 the Ukrainian subsidiary turned into profit: 2016 adjusted net after tax profit exceeded HUF 10.2 billion
- The profitable operation was mainly shaped by favourable credit quality trends coupled with lower risk costs supported by the base effect of the portfolio clean up in 2015
- DPD90+ ratio dropped by 6.6 pps y-o-y due to NPL sales and write-offs; stable provisioning coverage, above 118%
- FX-adjusted performing loans increased by 5% y-o-y, while deposits advanced by 13% respectively

The financial performance and indicators of OTP Bank Ukraine in HUF terms were significantly distorted by the HUF/UAH exchange rate moves: in 4Q 2016 the closing rate of HUF appreciated by 9% y-o-y against the Ukrainian hryvnia. The annual average rate strengthened by 15% y-o-y, the 4Q average rate by 11% y-o-y against UAH. Therefore local currency P&L and balance sheet dynamics are materially different from those in HUF terms.

OTP Bank Ukraine posted HUF 10.2 billion adjusted[11] after tax profit in 2016 marking a sharp improvement compared to the loss in the base periods.

Given the significant FX rate movements, we analyse the P&L developments in UAH terms.

In 2016 operating result in UAH terms increased by 6% y-o-y (–12% in HUF), total income improved by 8% y-o-y.

The full-year 2016 net interest income surged by 7% y-o-y in UAH. This improvement was reasoned by several factors: on one hand there was a drop in interest expenses due to the conversion of intra-group financing and subordinated debt into equity in December 2015. Furthermore, it was positive that the restructuring of dollar-based mortgage loans' took place mainly in 2015: in case of loans involved in the bank's own restructuring programme, the total NPV decline for the whole duration of the restructured loan is accounted for in one lump sum on the net interest income line at the time of the restructuring. At the end of December the restructured USD mortgage loan volumes reached USD 108 million.

At the end of 2016 the net performing USD mortgage loan volumes stood at HUF 6 billion, whereas the UAH denominated net performing mortgages amounted to HUF 14.2 billion.

The bank changed the methodology[12] on booking interest income on impaired exposures in July and August 2016 (different timing for different product categories). Such change had a negative forward-looking impact in the bank's standalone income statement starting from July.

The annual net fees and commissions income in 2016 surged by 29% in UAH terms due to the repayment of a subordinated debt facility to third party in 4Q 2015, as no further fee expenses occurred (the Ukrainian subsidiary used to pay a guarantee fee to OTP Bank as guarantor).

Regarding the net non-interest revenues, the y-o-y change was mainly shaped by base effect: in 1Q 2015 a large one-off FX gain was realized due to the hectic moves in FX rates.

Operating expenses increased by 11% y-o-y in hryvnia terms amid declining inflation (in 2016 the average CPI was 13.9%). The y-o-y growth was partly induced by higher personal expenses, as well as higher expert and regulatory expenses.

Total risk costs in UAH dropped by around 4/5 on a yearly basis. Such a decline was shaped by no major big ticket provisions occurring already

[11] As one-off items not related to the normal course of business activity, the risk costs created in relation to the Crimean exposures from 2Q 2014 until 4Q 2015, as well as risk costs made for exposures to Donetsk and Luhansk counties from 3Q 2014 to 4Q 2015 were eliminated from the Ukrainian P&L and shown amongst the adjustment items on consolidated level. Balance sheet lines were not adjusted for these items.
According to the old method the bank recognized interest revenues based on gross loan volumes. Simultaneously, risk costs were created for the booked interest revenues in line with the provision coverage level.

[12] In line with the new methodology interest revenues based on net loan volumes. Further details are available in 'Supplementary Data' section of the report.

in 2016.[13] Favourable credit quality trends in previous quarters were also manifesting through the stable non-performing volumes (FX-adjusted DPD90+ volume growth excluding the impact of loan sales and write-offs in HUF billion: 2015: 11, 2016: 11).

In 2016 around HUF 51 billion equivalent non-performing loans were sold or written off, of that HUF 17 billion in 4Q respectively. The DPD90+ ratio shrank by 6.6 pps y-o-y to 41.9%, the total provision coverage ratio of DPD90+ loans remained above 118%.

Regarding lending activity, mortgage disbursement has not been resumed yet. New credit card sales generated only limited volume increase. New POS loans sales kept increasing, their disbursement grew by 62% y-o-y supported by seasonality. The volume of performing consumer loans expanded by 9% y-o-y. The volume of POS loans comprising 58% of the consumer loans surged by 49% y-o-y. The FX-adjusted total performing loan expanded by 5.1% y-o-y. The volume of retail loans eroded by 5.1% y-o-y. Corporate exposures increased on a yearly basis (+8.4 pps y-o-y).

Deposits (adjusted for the FX-effect) expanded by 13% y-o-y amid further declining offered deposit rates. The volume of retail deposits increased by –12% y-o-y. Corporate deposits increased on yearly basis (+51% y-o-y).

The standalone IFRS capital adequacy ratio of the Ukrainian Banking Group according to local calculation rules stood at 12.44% at the end of December 2016.

The shareholders' equity of the Ukrainian banking group under IFRS was HUF 24.2 billion at the end of December 2016. The Ukrainian shareholders' equity includes that of 3 entities: the Bank, the Leasing and Factoring companies' equity. Accordingly, the standalone equity of the Bank under IFRS reached HUF 25.8 billion by December 2016, whereas the equity of the Leasing Company comprised –HUF 0.6 billion. As for the Factoring company its equity increased from –HUF 52.6 billion by June 2016 to –HUF 1 billion by December as a result of a capital increase; simultaneously bulk of the intragroup funding was repaid.

A temporary change in local regulation made it possible to implement such debt into equity conversion in a rapid way without facing major FX exchange risk. Accordingly, in case of the Ukrainian Factoring USD 187 million capital increase was implemented through several steps, simultaneously bulk of the USD 207 million exposure towards OTP Bank (in fact USD 187 million, of that USD 30 million in 4Q) has been repaid.

As a result, by December 2016 the total amount of intragroup exposure against the Ukrainian group members dropped to HUF 46 billion (HUF –61 billion y-o-y) and were as follows: there was an outstanding exposure of USD 137 million against the Leasing Company and USD 20 million against the Factoring unit, respectively.

[13] In 1Q 2015 high risk costs were set aside since the sharp weakening of the hryvnia against the USD triggered additional provisioning need in case of covered loans denominated in FX. Also, in 3Q 2015 the bank made provisions for the corporate exposures especially for those originated before the financial crisis (so called legacy book).

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account	2015 HUF million	2016 HUF million	Change %
After tax profit without the effect of adjustments	1,480	1,655	12
Income tax	(100)	(483)	382
Profit before income tax	1,580	2,138	35
Operating profit	6,074	8,545	41
Total income	27,662	26,644	(4)
Net interest income	22,904	20,315	(11)
Net fees and commissions	3,773	3,230	(14)
Other net non-interest income	985	3,098	215
Operating expenses	(21,588)	(18,100)	(16)
Total provisions	(4,493)	(6,407)	43
Provision for possible loan losses	(6,598)	(5,541)	(16)
Other provision	2,105	(866)	(141)
Main components of balance sheet closing balances	**2015**	**2016**	**%**
Total assets	646,042	588,188	(9)
Gross customer loans	546,148	524,576	(4)
Gross customer loans (FX-adjusted)	543,347	524,576	(3)
Retail loans	404,106	382,021	(5)
Corporate loans	139,241	142,555	2
Allowances for possible loan losses	(72,305)	(74,645)	3
Allowances for possible loan losses (FX-adjusted)	(72,015)	(74,645)	4
Deposits from customers	334,346	336,991	1
Deposits from customer (FX-adjusted)	332,030	336,991	1
Retail deposits	255,609	255,729	0
Corporate deposits	76,420	81,262	6
Liabilities to credit institutions	201,187	167,372	(17)
Total shareholders' equity	46,667	42,510	(9)
Loan Quality	**2015**	**2016**	**%/pps**
90+ days past due loan volume (in HUF million)	91,359	91,328	0
90+ days past due loans/gross customer loans	16.7%	17.4%	0.7
Cost of risk/average gross loans	1.35%	1.03%	(0.32)
Cost of risk/average (FX-adjusted) gross loans	1.34%	1.04%	(0.30)
Total provisions/90+ days past due loans	79.1%	81.7%	2.6
Performance Indicators	**2015**	**2016**	**pps**
ROA	0.3%	0.3%	0.0
ROE	3.6%	3.7%	0.1
Total income margin	4.93%	4.32%	(0.61)
Net interest margin	4.08%	3.29%	(0.79)
Cost/income ratio	78.0%	67.9%	(10.1)
Net loans to deposits (FX-adjusted)	142%	134%	(8)
FX rates	**2015 HUF**	**2016 HUF**	**Change %**
HUF/RON (closing)	69.2	68.5	(1)
HUF/RON (average)	69.7	69.4	(1)

- The Romanian operation posted HUF 1.7 billion net profit in 2016
- Operating income advanced by 41% y-o-y mainly due to lower operating expenses (–16% y-o-y) while total income eroded by 4%
- The y-o-y erosion of FX-adjusted retail loan portfolio reflects the impact of the bank's own conversion programme

OTP Bank Romania delivered HUF 1.7 billion profit after tax in 2016 (+12% y-o-y). Earnings before tax (HUF 2.1 billion) demonstrated an even stronger y-o-y improvement (+35%) as a result of higher effective tax rate being applied in 2016.

The operating profit surged by 41% y-o-y as a result of lower revenues (–4% y-o-y) and moderating operational expenses (–16% y-o-y). On the total income line the full-year net interest income dropped by 11% y-o-y due to methodology change[14] in 4Q 2016 and

[14] 2016 and 4Q net interest income, as well the other net-non interest income is difficult to reconcile y-o-y due to a methodological change effective from 1Q 2016. Accordingly, the total revaluation result from intragroup swap deals – earlier booked partly within net interest income, but also within other net non-interest income – will be presented on the net interest income line on a net base.

also the CHF mortgage conversion (a partial principal write off resulted in lower volumes and the converted loans carried lower margins). The annual net interest margin dropped to 3.29% (–79 bps y-o-y).

The full-year net fees and commissions income eroded by 14%. On the one hand there was a negative impact of lower card related fees induced by EU-directives effective from 2015[15]. On the other hand, in 1Q the bank had to pay a one-off guarantee fee after loans originated in 2015 by Banca Millennium under the Prima Casa programme.

Other net non-interest income grew by HUF 2.1 billion y-o-y due to a base effect: in 4Q 2015 one-off items resulted in HUF 1.7 billion loss. Of that HUF 0.8 billon was related to one-off losses induced by asset write-offs, real estate sales or revaluations connected to branch closures and IT system write-off. An additional HUF 0.9 billion was due to the integration expenses of Banca Millennium. The latter had no P&L impact as they were offset by lower lending related and other provisions.

In 2016 operating expenses dropped by 16% which already reflects the cost synergies of the Banca Millennium transaction. During 2016 administrative costs dropped by 25% as the bank posted savings on the IT and real estate side. Furthermore personal expenses declined by 7% y-o-y and the amortization costs also dropped by 12% respectively.

Total risk costs surged by 43% y-o-y in 2016. Within that other risk cost dynamics were influenced by several factors: other provisions made for the integration expenses of the Banca Millennium were released mainly in 4Q 2015. Also, in 4Q 2016 the bank created provisions for litigation cases.

Provisions on loan losses dropped by 16% y-o-y, as a result the annual risk cost rate moderated to 103 bps. The annual DPD90+ loan volume growth (adjusted for FX rate changes and sold and written off volumes) amounted to HUF 9.1 billion in 2016 versus HUF 12.1 billion in 2015. In 2016 in total HUF 9.8 billion non-performing exposures were sold/written off. The DPD90+ ratio stood at to 17.4% (0.7 pp y-o-y), their total provision coverage ratio increased to 81.7% (+2.6 pps y-o-y) the highest level since 2009.

The FX-adjusted gross loan portfolio declined by 3% y-o-y. Retail volumes eroded by 5% y-o-y which was partially offset by the increasing corporate portfolio (+2%). New mortgage disbursement more than quadrupled y-o-y partially due active participation in the state subsidized Prima Casa Programme.

The total FX-adjusted deposit volumes increased by mere 1% y-o-y supported by corporate inflows.

According to the local regulation the Bank's standalone capital adequacy ratio stood at 14.4% at the end of 2016.

[15] From December 2015 the interchange fee cannot exceed 0.2% in case of debit cards and 0.3% in case of credit card transactions.

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska:

Main components of P&L account	2015 HUF million	2016 HUF million	Change %
After tax profit without the effect of adjustments	2,968	3,783	27
Income tax	1,256	(865)	(169)
Profit before income tax	1,711	4,648	172
Operating profit	10,844	13,538	25
Total income	28,020	31,442	12
Net interest income	20,345	22,800	12
Net fees and commissions	5,309	5,330	0
Other net non-interest income	2,367	3,312	40
Operating expenses	(17,177)	(17,904)	4
Total provisions	(9,132)	(8,890)	(3)
Provision for possible loan losses	(6,813)	(5,331)	(22)
Other provision	(2,320)	(3,560)	53
Main components of balance sheet closing balances	**2015**	**2016**	**%**
Total assets	649,870	649,063	0
Gross customer loans	470,862	471,346	0
Gross customer loans (FX-adjusted)	469,573	471,346	0
Retail loans	299,868	307,791	3
Corporate loans	169,545	163,424	(4)
Allowances for possible loan losses	(43,905)	(50,051)	14
Allowances for possible loan losses (FX-adjusted)	(43,987)	(50,051)	14
Deposits from customers	509,317	515,450	1
Deposits from customer (FX-adjusted)	509,291	515,450	1
Retail deposits	451,463	450,278	0
Corporate deposits	57,828	65,171	13
Liabilities to credit institutions	48,974	44,141	(10)
Total shareholders' equity	69,563	74,026	6
Loan Quality	**2015**	**2016**	**%/pps**
90+ days past due loan volume (in HUF million)	61,906	57,127	(8)
90+ days past due loans/gross customer loans	13.1%	12.1%	(1.0)
Cost of risk/average gross loans	1.45%	1.13%	(0.32)
Cost of risk/average (FX-adjusted) gross loans	1.45%	1.13%	(0.32)
Total provisions/90+ days past due loans	70.9%	87.6%	16.7
Performance Indicators	**2015**	**2016**	**pps**
ROA	0.5%	0.6%	0.1
ROE	4.2%	5.3%	1.1
Total income margin	4.30%	4.84%	0.55
Net interest margin	3.12%	3.51%	0.39
Cost/income ratio	61.3%	56.9%	(4.4)
Net loans to deposits (FX-adjusted)	84%	82%	(2)
FX rates	**2015 HUF**	**2016 HUF**	**Change %**
HUF/HRK (closing)	41.0	41.1	0
HUF/HRK (average)	40.7	41.3	2

- HUF 3.8 billion net profit in 2016 (+27% y-o-y) as a result of increasing operating profit and slightly declining risk costs
- In 2016 the net interest income grew by 12% y-o-y supported by decreasing funding costs
- The DPD90+ ratio declined to 12.1%, the total provision coverage improved

In December 2016 OTP banka Hrvatska signed an acquisition agreement on purchasing Splitska banka. Societe Generale Splitska is the 5th biggest player on the Croatian banking market, as a result of the acquisition the market share of OTP Group will rise to approximately 11%. The financial closure of the transaction is expected in the summer 2017, therefore the presented numbers of OBH exclude the acquisition effects.

OTP banka Hrvatska posted HUF 3.8 billion adjusted[16] after tax profit in 2016, exceeding the base period by 27%. Adjusting the base period figures from the one-off items[17] that emerged in 2Q 2015, however, the yearly profit surged by 159% y-o-y.

The y-o-y 25% higher operating profit in 2016 was supported by increasing total income (+12%), whereas operating expenses increased by 4%. The cost-to-income ratio declined y-o-y by 4 pps to 57%. Higher y-o-y net interest income (+12%) was supported by lower funding costs; as a result, the net interest margin improved to 3.51% (+39 bps y-o-y). Net fees and commission income was flat on the yearly basis. The 40% y-o-y growth in other net non-interest income is related mainly to a property sale and also to one-off loss posted in 1Q 2015. The CHF fixing exerted a HUF 360 million negative effect on other non-interest income as a reflection of lower principal part of the repayments due to the fixing.

Portfolio quality trends are promising.

In 2016 HUF442 million loans were sold or written-off in total, bulk of it in the first quarter. The DPD90+ ratio decreased to 12.1% (–1 pp y-o-y). Provisions for loan losses in 2016 dropped by 22% y-o-y. Total provision coverage of DPD90+ portfolio improved by 16.7 pps y-o-y, and reached 87.6% as a result of prudent provisioning.

In 2015 HUF 1.4 billion other risk cost was created related to a litigation case against the predecessor of the OBH. Another litigation case related to the predecessor of OBH resulted in provisions with the amount of HUF 3.1 billion in 2016 recognized in other provisions.

FX-adjusted gross loans were flat on the yearly comparison, notwithstanding the HUF 6.3 billion drop in gross loans resulting from the conversion of CHF mortgages with a principal discount mostly in the first half of 2016. Nevertheless, performing (DPD0–90) loans grew by 2% in 2016. New mortgage loan disbursements have been on the rise since March 2016, thus the amount of disbursed volumes in 2016 doubled y-o-y. Mortgage volumes grew by 6% y-o-y (FX-adjusted). Consumer loan volumes hardly changed y-o-y.

FX-adjusted total deposits grew by 1% y-o-y. Net loan-to-deposit ratio diminished by 2 pps to 82% y-o-y.

[16] On 18 September 2015 the Croatian Parliament adopted amendments to the Consumer Lending Act, which determined the conditions of the conversion of CHF denominated retail loans into EUR at an exchange rate valid at origination. The one-off negative impact due to the amendments of the Act has been eliminated from the OBH P&L and booked on consolidated level within adjustment items. Balance sheet data have not been adjusted.
Furthermore, the gain on sale of Visa Europe shares booked in 2Q 2016 have been eliminated from the OBH P&L and are booked on consolidated level within adjustment items. Balance sheet data have not been adjusted.

[17] In 2Q 2015 the after tax profit was positively affected by income tax refund, which tax was imposed on badwill of the Banco Popolare Croatia acquisition in 2Q 2014 (it was shown on consolidated level, among adjustments) and the Bank utilized the BPC's deferred tax of former years. These two items improved the profit by HUF +1.5 billion on income tax line.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko:

Main components of P&L account	2015 HUF million	2016 HUF million	Change %
After tax profit without the effect of adjustments	924	(2,223)	(341)
Income tax	(489)	256	(152)
Profit before income tax	1,413	(2,479)	(276)
Operating profit	6,601	6,781	3
Total income	17,672	17,893	1)
Net interest income	14,568	14,257	(2)
Net fees and commissions	3,386	3,272	(3)
Other net non-interest income	(283)	363	(228)
Operating expenses	(11,071)	(11,112)	0
Total provisions	(5,188)	(9,260)	78
Provision for possible loan losses	(5,144)	(8,987)	75
Other provision	(44)	(273)	523
Main components of balance sheet closing balances	**2015**	**2016**	**%**
Total assets	450,819	453,720	1
Gross customer loans	382,500	388,926	2
Gross customer loans (FX-adjusted)	379,935	388,926	2
Retail loans	313,202	327,544	5
Corporate loans	66,592	61,321	(8)
Allowances for possible loan losses	(22,702)	(31,462)	39
Allowances for possible loan losses (FX-adjusted)	(22,550)	(31,462)	40
Deposits from customers	385,082	366,976	(5)
Deposits from customer (FX-adjusted)	382,659	366,976	(4)
Retail deposits	360,122	341,516	(5)
Corporate deposits	22,536	25,459	13
Liabilities to credit institutions	11,113	8,104	(27)
Subordinated debt	6,265	6,223	(1)
Total shareholders' equity	30,430	27,339	(10)
Loan Quality	**2015**	**2016**	**%/pps**
90+ days past due loan volume (in HUF million)	37,099	43,451	17
90+ days past due loans/gross customer loans	9.7%	11.2%	1.5
Cost of risk/average gross loans	1.37%	2.33%	0.96
Cost of risk/average (FX-adjusted) gross loans	1.38%	2.34%	0.96
Total provisions/90+ days past due loans	61.2%	72.4%	11.2
Performance Indicators	**2015**	**2016**	**pps**
ROA	0.2%	(0.5%)	(0.7)
ROE	3.1%	(7.7%)	(10.8)
Total income margin	3.86%	3.96%	0.09
Net interest margin	3.18%	3.15%	(0.03)
Cost/income ratio	62.6%	62.1%	(0.5)
Net loans to deposits (FX-adjusted)	93%	97%	4
FX rates	**2015 HUF**	**2016 HUF**	**Change %**
HUF/EUR (closing)	313.1	311.0	(1)
HUF/EUR (average)	309.9	312.1	1

- HUF 2.2 billion loss was due to the increasing risk cost (+78% y-o-y)
- Higher DPD90+ ratio (11.2%), improving coverage ratio (72.4%; +11.2 pps y-o-y)
- Stable net interest margin (2016: 3.15%), 2% y-o-y increase of the FX-adjusted loan book

The **OTP Banka Slovensko** posted HUF 2.2 billion loss in 2016, versus HUF 0.9 billion profit in 2015. The sharp increase (+78% y-o-y) of loan loss provisioning in 4Q 2016 was the major reason for the weaker performance which was only partially offset by the increasing operating income (3% y-o-y).

Net interest margin slightly dropped (–3 bps), while net loans decreased by 1% y-o-y, thus net interest income moderated by 2% y-o-y.

In 2016 net fees and commissions income dropped by 3% y-o-y. The reason behind increasing other net non-interest income was due to higher FX result.

In 2016 operating expenses stagnated y-o-y, approaching the end of the year some IT and marketing costs increase arose. In 2016 the increase in the FX-adjusted DPD90+ formation (without the effect of non-performing loan sales and write-offs) was HUF 6 billion versus HUF 4 billion in the base period. The DPD90+ ratio increased by 1.5 pps on a yearly basis to 11.2%. In 2016 around HUF 0.3 billion in non-performing loans were sold or written off. Total risk cost grew by 78% y-o-y. The DPD90+ coverage ratio (72.4%) increased on a yearly basis (+11.2 pps y-o-y).

The FX-adjusted loan book expanded by 2% on a yearly basis due to the intensifying retail lending (+5% y-o-y). The yearly increase of newly disbursed mortgage loans (+90% y-o-y) was related to intensified early repayments and loan refinancing. Disbursement of consumer loans decreased by 20% y-o-y, however their FX-adjusted volume improved by 12% y-o-y. The corporate loan book eroded by 8% y-o-y. The FX-adjusted deposit volume moderated on a yearly basis by 4%. The volume of corporate deposits comprising 7% of the deposit book increased by 13% y-o-y. The standalone IFRS capital adequacy ratio stood at 12.92% at the end of December 2016.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

Main components of P&L account	2015 HUF million	2016 HUF million	Change %
After tax profit without the effect of adjustments	(385)	39	(110)
Income tax	9	34	280
Profit before income tax	(394)	5	(101)
Operating profit	1,292	697	(46)
Total income	8,359	7,720	(8)
Net interest income	6,407	5,769	(10)
Net fees and commissions	1,747	1,653	(5)
Other net non-interest income	206	298	45
Operating expenses	(7,067)	(7,023)	(1)
Total provisions	(1,686)	(692)	(59)
Provision for possible loan losses	(922)	(890)	(4)
Other provision	(764)	198	(126)
Main components of balance sheet closing balances	**2015**	**2016**	**%**
Total assets	119,224	123,279	3
Gross customer loans	108,327	108,704	0
Gross customer loans (FX-adjusted)	106,918	108,704	2
Retail loans	45,409	48,180	6
Corporate loans	61,509	60,524	(2)
Allowances for possible loan losses	(31,835)	(26,349)	(17)
Allowances for possible loan losses (FX-adjusted)	(31,230)	(26,349)	(16)
Deposits from customers	73,385	78,583	7
Deposits from customer (FX-adjusted)	72,411	78,583	9
Retail deposits	44,531	48,231	8
Corporate deposits	27,880	30,352	9
Liabilities to credit institutions	10,234	8,572	(16)
Subordinated debt	2,532	2,511	(1)
Total shareholders' equity	29,377	28,805	(2)

Loan Quality	2015	2016	%/pps
90+ days past due loan volume (in HUF million)	42,519	35,504	(16)
90+ days past due loans/gross customer loans	39.3%	32.7%	(6.6)
Cost of risk/average gross loans	0.89%	0.82%	(0.07)
Cost of risk/average (FX-adjusted) gross loans	0.90%	0.83%	(0.08)
Total provisions/90+ days past due loans	74.9%	74.2%	(0.7)
Performance Indicators	**2015**	**2016**	**pps**
ROA	(0.3%)	0.0%	0.4
ROE	(1.3%)	0.1%	1.4
Total income margin	7.31%	6.37%	(0.94)
Net interest margin	5.60%	4.76%	(0.84)
Cost/income ratio	84.5%	91.0%	6.4
Net loans to deposits (FX-adjusted)	105%	105%	0
FX rates	**2015 HUF**	**2016 HUF**	**Change %**
HUF/RSD (closing)	2.6	2.5	(2)
HUF/RSD (average)	2.6	2.5	(1)

- HUF 39 million profit in 2016 due to y-o-y almost halving operating profit and risk cost decreasing by 59%
- The DPD90+ ratio declined to 32.7% (–6.6 pps y-o-y) with a coverage at 74.2%
- Performing loans expanded by 12%, while gross loans grew by 2% y-o-y, FX-adjusted

OTP banka Srbija posted HUF 39 million adjusted profit in 2016 as opposed to the HUF 385 million loss in the base period. The y-o-y 46% decline of operating profit in 2016 is reasoned by the 8% drop in total income, while operating expenses decreased by 1% y-o-y. Net interest income fell by 10% y-o-y, as the net interest margin shrank by 84 bps y-o-y due to the lower interest rate environment. The net fees and commissions income sank by 5% on yearly basis.

The yearly profit development was favourably affected by the 59% drop of risk cost y-o-y. Improvement in other provision is due to base effect: in 4Q 2015 litigation related provisions were made.

The FX-adjusted increase of the DPD90+ portfolio (adjusted to sales and write-offs) moderated in 2016 (2015: 2.4, 2016: 0.3 billion HUF). The DPD90+ ratio decreased to 32.5% (–6.7 pps y-o-y). The improvement of the ratio was positively affected by around HUF 6.1 billion non-performing loan sale/write-offs during the last four quarters. The total provision coverage of DPD90+ loans slightly decreased y-o-y .

The loan portfolio shows favourable trend, the FX-adjusted performing (DPD0–90) loan book expanded by 12% y-o-y. The corporate segment grew by 12% y-o-y. Retail performing loan volumes also increased (+13% y-o-y). In 2016 cash loan disbursements were strong throughout the whole year, performing cash loans expanded by 11% y-o-y on an FX-adjusted basis. Retail mortgage loans also advanced (+7% y-o-y).

FX-adjusted total deposits surged by 9% y-o-y. Net loan-to-deposit ratio stood at 105% by year-end (almost flat y-o-y). The capital adequacy ratio of the bank stood at 22.4% at the end of 2016.

[18] Due to a series of decisions on FX mortgages made by the central bank on 24 February 2015 the bank suffered a loss of HUF 211 million in 2015. Those losses were taken out of the P&L of the Serbian subsidiary and were presented on consolidated level within adjustment items.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)

Performance of CKB:

Main components of P&L account	2015 HUF million	2016 HUF million	Change %
After tax profit w/o dividends and net cash transfer	909	(1,849)	(303)
Income tax	1	2	186
Profit before income tax	909	(1,851)	(304)
Operating profit	3,146	2,684	(15)
Total income	10,468	10,022	(4)
Net interest income	7,228	6,951	(4)
Net fees and commissions	2,996	2,622	(12)
Other net non-interest income	244	449	84
Operating expenses	(7,322)	(7,337)	0
Total provisions	(2,238)	(4,535)	103
Provision for possible loan losses	(2,266)	(4,289)	89
Other provision	28	(246)	(970)
Main components of balance sheet closing balances	**2015**	**2016**	**%**
Total assets	199,800	197,562	(1)
Gross customer loans	149,775	143,331	(4)
Gross customer loans (FX-adjusted)	148,771	143,331	(4)
Retail loans	72,575	71,683	(1)
Corporate loans	76,196	71,648	(6)
Allowances for possible loan losses	(52,991)	(56,513)	7
Allowances for possible loan losses (FX-adjusted)	(52,636)	(56,513)	7
Deposits from customers	148,117	149,119	1
Deposits from customer (FX-adjusted)	147,348	149,119	1
Retail deposits	113,836	113,697	0
Corporate deposits	33,512	35,422	6
Liabilities to credit institutions	21,829	20,765	(5)
Subordinated debt	0	0	
Total shareholders' equity	23,091	21,188	(8)
Loan Quality	**2015**	**2016**	**%/pps**
90+ days past due loan volume (in HUF million)	63,881	60,801	(5)
90+ days past due loans/gross customer loans	42.7%	42.4%	(0.2)
Cost of risk/average gross loans	1.47%	2.93%	1.46
Cost of risk/average (FX-adjusted) gross loans	1.49%	2.94%	1.45
Total provisions/90+ days past due loans	83.0%	92.9%	10.0
Performance indicators	**2015**	**2016**	**pps**
ROA	0.5%	(0.9)%	(1.4)
ROE	4.0%	(8.4)%	(12.3)
Total income margin	5.29%	5.04%	(0.25)
Net interest margin	3.65%	3.50%	(0.16)
Cost/income ratio	69.9%	73.2%	3.3
Net loans to deposits (FX-adjusted)	65%	58%	(7)
FX rates	**2015 HUF**	**2016 HUF**	**Change %**
HUF/EUR (closing)	313.1	311.0	(1)
HUF/EUR (average)	309.9	311.5	1

- HUF 1.8 billion loss in 2016
- Operating profit decreased by 15% y-o-y reasoned by the decline of core banking revenues
- The annual risk cost doubled, the coverage ratio improved
- The FX-adjusted gross customer loans declined by 4% y-o-y, customer deposits increased by 1% y-o-y

The **Montenegrin CKB Bank** posted HUF 1.8 billion adjusted after tax loss in 2016 versus HUF 0.9 billion profit posted in 2015.
The annual operating profit declined by 15% y-o-y reasoned by a y-o-y 4% decrease in the total income. Within that, the net interest income declined by 4% y-o-y, while net fees and commissions dropped by 12% y-o-y. The narrowing margins and the decreasing average performing loans had negative impact on the net interest income. Other net non-interest income increased by 84% y-o-y.
The annual operating expenses stagnated in 2016 compare to the previous year.
The total provisions doubled in 2016, mainly due to the increase of provision for possible loan losses in 4Q.
The DPD90+ ratio (42.4%) improved slightly; it decreased by 0.2 pp on annual basis.
The DPD90+ loan volume declined by HUF 2 billion (FX-adjusted, without the effect of non-performing loan sales and write-offs) against HUF 1 billion increase in 2015.
In 2016, HUF 0.5 billion non-performing loans was sold or written off, from which 4Q represented HUF 0.4 billion. The total coverage ratio increased further, it stood at 92.9% at the end of year (+10 pps y-o-y).
The FX-adjusted gross loans declined by 4% y-o-y. The erosion was higher in case of corporate loans (–6% y-o-y), but lower for retail loans (–1% y-o-y).
The FX-adjusted deposits rose by 1% y-o-y explained by the 6% y-o-y increase of corporate deposits.
The capital adequacy ratio calculated according to local requirements stood at 21% at the end of 2016.

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group (including the number of employed selling agents) was 32,335 as of 31 December 2016. OTP Group provides services through 1,302 branches and more than 3,927 ATMs in 9 countries of the CEE-region. In Hungary, OTP Bank has an extensive distribution network, which includes 367 branches and 1,883 ATM terminals. The Bank (Hungary) has close to 60 thousands POS terminals.

	31/12/2016				31/12/2015			
	Branches*	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	367	1,883	59,988	8,293	375	1,895	55,288	8,142
DSK Group	372	892	5,723	4,679	383	874	5,207	4,502
OTP Bank Russia (w/o employed agents)	134	267	1,446	4,744	134	233	1,751	4,787
Touch Bank (Russia)	0	0	0	268	0	0	0	219
OTP Bank Ukraine (w/o employed agents)	84	118	246	2,151	85	105	315	2,146
OTP Bank Romania	100	147	3,374	1,119	108	150	2,848	1,139
OTP banka Hrvatska	103	273	2,269	1,097	110	247	2,048	1,082
OTP Banka Slovenko	61	142	223	667	60	141	216	678
OTP banka Srbija	52	118	2,303	611	56	128	2,248	633
CKB	29	87	4,991	424	29	84	4,895	431
Foreign subsidiaries, total	**935**	**2,044**	**20,575**	**15,758**	**965**	**1,962**	**19,528**	**15,615**
Other Hungarian and foreign subsidiaries**				1,327				1,206
OTP Group (w/o employed agents)				**25,378**				**24,963**
OTP Bank Russia – employed agents				6,324				6,328
OTP Bank Ukraine – employed agents				633				423
OTP Group (aggregated)	**1,302**	**3,927**	**80,563**	**32,335**	**1,340**	**3,857**	**74,816**	**31,713**

* Due to the changes of the data provider group members, the historical employee figures of the other Hungarian and foreign subsidiaries are not comparable.
** Starting from 3Q 2016 a new branch count calculation method has been applied. Under the new method only branches with active employees are included into the branch number. Therefore, the end-2016 branch numbers are not comparable with the previous periods.

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

OTP Bank Plc., being registered in Hungary, has a corporate governance policy that complies with the provisions on companies of the act applicable (Civil Code). As the company conducts banking operations, it also adheres to the statutory regulations pertaining to credit institutions.
Beyond fulfilling the statutory requirements, as a listed company on the Budapest Stock Exchange (BSE), the company also makes an annual declaration on its compliance with the BSE's Corporate Governance Recommendations. After being approved by the General Meeting, this declaration is published on the websites of both the Stock Exchange (www.bet.hu) and the Bank (www.otpbank.hu).

The purposes of applying the Corporate Governance Recommendations of the BSE is to facilitate the transparent and efficient market operation, support the enforcement of the laws as well as harmonise the interests of the organisation, the investors and the organisation's environment.
On the basis of the Corporate Governance Recommendations of the BSE – in line with the "comply or explain" principle – organisations need to report on their compliance with the provisions of certain specific points of the recommendation as well as whether they apply certain suggestions as provided for in the recommendation. Conforming to and observing the provisions of the Corporate Governance Recommendations of the BSE is recommended, although not compulsory for companies listed on the stock exchange and a negative answer in itself does not indicate a deficiency. With regard to the suggestions, companies only need to indicate whether they apply the given guideline or not, they are not required to provide additional explanation.

OTP Bank Plc. provided a negative answer to the following recommendations and suggestions:

R 1.1.2 The Company follows the "one share – one vote" principle.
Each of the Company's ordinary shares ensures one voting right. In keeping with the stipulations of the Company's Articles of Association, voting rights depend specifically on the size of the shareholding.
Transactions, specified in 2.6.2, which depart from regular business practices and the conditions thereof were accepted by the Supervisory Board (Audit Committee).
The Company prepared procedural rules for approving transactions that depart from usual business practices, and this ensures adequate control.
R 2.7.2 The Board of Directors evaluated its own performance in a given business year.
The Company has a Nomination Committee, which has assessed the board's work.
R 2.7.2.1 The Supervisory Board evaluated its own performance in a given business year.
The Company has a Nomination Committee, which has assessed the board's work.
R 2.7.7 The Company has prepared a Declaration on Remuneration and presented it to the General Meeting.
The Declaration on Remuneration contains the remuneration of certain members of the Board of Directors, the Supervisory Board, and the management.
R 4.1.11 The Company has published in its annual report and on its website a Declaration on Remuneration, which describes the remuneration guidelines used and, specifically, the guidelines pertaining to the remuneration of members of the Board of Directors, the Supervisory Board and the management.
G 3.4.5 The Remuneration Committee ensures that a declaration on remuneration is prepared.
In compliance with the applicable European Union directive (CRD IV) and the provisions of the Act on Credit Institutions and Financial Enterprises, the Bank's General Meeting concluding the year 2015, its Board of Directors and Supervisory Board have provided for the review of the Remuneration Policy of the Bank and the Bank Group. In line with the national

and EU legislative environment, the process of implementing the Bank Group's Remuneration Policy includes the methodological framework relating to the identification of activities and employees with a material impact on risk, which constitutes the basis for determining the group of persons subject to the Bank Group's Remuneration Policy, and the rules of procedure relating to the annual evaluation process.

The purpose of the Bank Group's Remuneration Policy is, remaining within the limits of the Bank Group's risk-bearing capacity, to recognise and provide motivational support for the achievement of Bank and Group-level results by the management and holders of key positions at the Bank, and the managers of subsidiaries in the Bank Group.

The Bank Group's Remuneration Policy applies to the members of the Bank's Board of Directors

and Supervisory Board, and – among the staff in an employment relationship with the Bank – the members of the Bank's Management (Chairman & CEO and the deputies thereof), and managers who materially influence the Bank's risk profile and its profit, managers performing special executive functions, managers with control functions, all managers whose salaries are in the same pay scale as that of the managers who are subject to the Remuneration Policy due to their function. Among the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision, the subsidiaries' chief executive officers, and in the case of certain subsidiaries their level-2 (deputy) managers, and the managers of certain foreign subsidiary banks with special management and decision-making authority determined under national statutory provisions. The resolution on the persons to whom the Bank Group's Remuneration Policy applies is made by the Bank's Supervisory Board.

The members of the Board of Directors and the Supervisory Board receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For the other personnel included in the scope of the Remuneration Policy, the remuneration is composed of fixed and performance-based components. The proportions of fixed and performance-based components of remuneration are determined by the Bank's Supervisory Board based on the function, size and complexity of the unit being managed.

The proportion of performance-based remuneration may not exceed 100% of fixed remuneration for any person concerned.

The most important basic principle of the Bank Group's Remuneration Policy is that the extent of performance-based remuneration – subject to a preliminary and retrospective assessment of the risks – depends on the extent to which Bank Group/Bank/Subsidiary-level and individual targets are met.

In the case of managers in an employment relationship with the Bank, the evaluation of performance, besides an assessment of the return on risk-weighted assets (RORAC) indicator for the given activity, takes place on the basis of the criteria used to measure strategic and individual performance (financial indicators and indicators of the quality of work performance). In the case of managers at subsidiaries in the Bank Group the evaluation of performance takes place in a differentiated manner, in keeping with the characteristics of the companies' activities. The target values of the indicators are determined by the Bank's Supervisory Board on the basis of the effective financial plan for the given year.

The performance evaluation-based, variable remuneration takes the form of a cash bonus and – where permitted by national legislation – remuneration exchanged for shares or a preferentially-priced share package, in equal proportions. At all the members of the Bank Group, the share-based part of the variable remuneration is provided to the employees concerned by the Bank.

Employees employed by OTP Bank Plc. subject to the personal scope of the Bank Group's Remuneration Policy receiving performance-based remuneration are entitled to acquire a membership stake in OTP Bank MRP Organisation to the extent of the share-based part of their performance-based remuneration on the basis of their voluntary resolution.

The membership stake in OTP Bank MRP Organisation is non-marketable, cannot be credited, cannot be offered as collateral and only enables the individual to receive the actual settlement of the share package if the conditions as stipulated in the Remuneration Policy (the result of the performance evaluation, the subsequent risk assessment) are met. Membership stakes not meeting the conditions revert to OTP Bank Plc.

In keeping with the Credit Institutions Act, as a general rule, payment of 60% of the variable remuneration is staggered over a period of three years, during which period the deferred amount is determined annually in equal proportions. Determination of eligibility to receive the deferred instalments takes place on the basis of a retrospective assessment of the risks. The assessment of the risks is based both on quantitative criteria used to measure prudent operation, and on qualitative evaluation criteria. Based on the assessment of the risks related to the activities of the employees concerned, the deferred part of the performance-based remuneration may be reduced or withheld completely. A further prerequisite for entitlement to the deferred part is a continuing employment relationship.

The remuneration of the members of the Supervisory Board and the Board of Directors, which is determined in a resolution of the General Meeting, is public, while with respect to the remuneration policy, the Bank complies with its public disclosure obligation in accordance with the prevailing statutory provisions.

R 3.1.6 The company published on its website the tasks delegated to the Audit Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).

OTP Bank Plc. has established and operates an Audit Committee, which supports the work of the Supervisory Board, and the Bank has published the names of the members, each with a brief CV. The tasks delegated to the Audit Committee, and the objectives and procedural rules of the Committee, are not in the public domain.

R 3.1.6.1 The company published on its website the tasks delegated to the Nomination Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).

OTP Bank Plc. has established and operates an Audit Committee, which supports the work of the Supervisory Board, and the Bank has published the names of the members, each with a brief CV. The tasks delegated to the Audit Committee, the objectives and procedural rules of the Committee are not in the public domain.

R 3.4.4.2 The Remuneration Committee reviewed the terms and conditions of contracts that were concluded with the management.

A review of the terms of contracts concluded with members of the management does not fall within the remit of the Remuneration Committee.

R 3.5.1 The Board of Directors has disclosed its reasons for merging the Remuneration and the Nomination Committee.

The Company operates both a Remuneration Committee and a Nomination Committee.

R 3.5.2 The Board of Directors performed the tasks of the Nomination Committee and issued a statement on its reasons for doing so.

The Nomination Committee performed its own tasks.

R 3.5.2.1 The Board of Directors performed the tasks of the Remuneration Committee and issued a statement on its reasons for doing so.

The Remuneration Committee performed its own tasks.

R 4.1.10 The Company provided information about the internal organisation and operation of the Board of Directors and the Supervisory Board.

The Company's website provides information about the operation of its management bodies in the Articles of Association.

G 1.3.1 The Company's General Meeting accepted the chairman of the General Meeting prior to the actual discussion of the agenda items.

For the purpose of the Articles of Association of the Company, the Chairman of the Board or another person mandated by the Board of Directors for this purpose chairs the General Meeting.

G 1.4.2 The Company published its guidelines concerning solutions for preventing hostile takeovers directed at the Company.

The domestic legislation provide appropriate guarantee for the procedures relating to acquisitions and the enforcement of the shareholders' interests.

G 2.5.3 The Company provided information about how it ensures that the Board of Directors remains objective in its evaluation of the

management activities in the event that the position of Chairman & CEO is combined.
A Nomination Committee operates at the Company which evaluates the activity.
G 2.5.5 No member of the Company's Supervisory Board held a position on the Company's Board of Directors or in the management in the three years prior to his/her nomination.
The Supervisory Board of the Company has such a member who held a position in the management of the company in the three years preceding his designation.
G 2.9.1.3 The rules of procedure of the Nomination Committee include the procedure to be followed when the services of an external consultant are used.
For the procedure to be followed when using the services of an external consultant, the Company drafted rules of procedure which provide the appropriate control.
G 2.9.1.4 The rules of procedure of the Remuneration Committee include the procedure to be followed when the services of an external consultant are used.
For the procedure to be followed when using the services of an external consultant, the Company drafted rules of procedure which provide the appropriate control.
G 3.1.2 The chairman of the Audit Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
Based on the Civil Code the Audit Committee is a body assisting the Supervisory Board, its members are elected by the General Meeting from among the independent members of the Supervisory Board. Since the functions of these bodies are closely linked to each other, the chairman of one board is the vice president of the other board and vice versa, so the Supervisory Board is aware of the Audit Committee's decisions. Special reporting is not justified for the Supervisory Board. The Audit Committee does not need to report for the executive body.
G 3.3.5 The Nomination Committee's rules of procedure include the stipulations specified in point 3.3.5.
For the conditions of performing the evaluation activity, the Company has drafted rules of procedure which provide appropriate control.

System of internal controls

The main function of the internal audit system is to protect customers, the company's assets and shareholder's interests, as well as to facilitate and monitor operation in compliance with the statutory provisions.
The internal audit system extends to all of the company's organisational units, business lines and activities, including outsourced activities.
To ensure effective auditing, the internal audit system consists of several modular control levels, and is also segmented in line with the departmental structure of the organisation.
The elements of the internal audit system are comprised of in-process and management controls, and an independent internal audit unit and management information system.
OTP Bank Plc. has developed and applies such a uniform internal audit system consistently throughout the Bank Group that is proportionate to the size of the OTP Group and the market share of the Company, includes shareholder audits conducted at the foreign and domestic group members as well as the professional oversight of the internal audit organisations of the financial institutions that are subject to consolidated supervision as specified in the Credit Institutions Act. To this end, standardised internal audit procedures and methodologies pertaining to the operation and activities of group members' internal audit departments are developed, enhanced and applied on a continuous basis.
Internal audit also liaises regularly and cooperates with external auditing bodies.
The independent internal audit unit assists in the legally compliant and effective management of assets and liabilities and the protection of property; it supports secure business operation, the effectiveness, cost-efficiency and success of internal control systems, the minimisation of risks, and moreover – alongside the compliance unit – it detects and reports departures from the provisions of the statutory regulations and internal policies, makes recommendations for the elimination of deficiencies, and monitors the

implementation of the measures. It performs its activities independently, objectively and professionally. Its independence is ensured by the fact that it is professionally overseen by the Supervisory Board, within the framework set out by the Credit Institutions Act.
The independent internal audit organisation was set up in a manner that the execution of ownership controls at the Organisation, in the network and at the foreign and domestic group members, as well as the professional supervision of the foreign and domestic internal audit organisation is properly ensured.
The independent internal audit organisation has an annual audit plan which is approved by the Supervisory Board. The annual plan is prepared using a risk-based methodology and, in addition to focusing on the areas that entail regulatory, business and operational risk, and the other main risk exposures, it emphasizes especially the control of reporting and data, further, it also takes into account the company's prevailing strategic priorities.
The internal audit organisation makes independent reports on its auditing activities for the management bodies at quarterly and annual intervals. In its quarterly reports it gives a group-level, summary account of the audits conducted in the given quarter, the risks identified in the course of its own audits and audits conducted by the authorities, and the success of any action taken to eliminate them. In exceptional cases that require immediate intervention, it provides the management with extraordinary briefings. The audit organisation reports annually on the performance of the tasks stipulated in the group-level annual audit schedule, the audits conducted and other activities, and on the circumstances of the organisation's operation, as well as on any changes to the internal audit system.
The organisation annually prepares, for the Supervisory Board, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions.
The basis for effective group-level risk management is the operation of a standardised, "OTP-compatible" organisational structure as well as regulations and procedures at the subsidiaries concerned. The Company has detailed risk management rules for each of the various types of risk (liquidity, market, country, counterparty, credit, operational, compliance), and these rules are in harmony with the statutory regulations pertaining to prudential banking operations. The annual report describes the risk management practices, the limits, and compliance with these limits.
Within the Company, the Credit Approval and Risk Management Division and the Strategy and Finance Division exercise functional control over the guidelines, methodology and infrastructure of the Bank Group's risk management strategy, the purpose of which is to create a clearly defined, transparent, standardised credit, country, counterparty, market and operational risk management system at group level which complies with the expectations of the supervisory authority and local conditions. The Bank Group's Risk Strategy, as well and the rules on risk prescribed by the Credit Institutions Act, are approved by the Bank's Board of Directors.
The Risk Strategy determines, with respect to the entire Bank Group, the framework for risk management and the principles and guidelines of risk assumption.
With respect to the cornerstones of the risk management methodologies, and the main risk topics for Bank Group members, the final decision-making competence is held by the Group members' risk committees (Credit and Limit Committee, Workout Committee, Group Operational Risk Committee).
The Bank's risk management system encompasses the identification of the risks, assessment of their impact, elaboration of the necessary action plans, and the monitoring of their effectiveness and results.
The management make their business decisions in a knowledge of all the key risks.
All significant risks related to internal and external operations, or to compliance with financial and legal requirements, as well as numerous other risks, are evaluated and managed using a clearly-defined and transparent internal mechanism.
In adopting its accounting policy and defining its accounting order the Bank uses its own control mechanisms and processes ensuring properly to reach the following goals: to draw

up reliable financial reports, to carry out various successful and effective operations for the company, to comply with the legislation in force and to fully comply with the provisions related to the supplying of data to the Regulators.

All competencies of the banking units responsible for drawing up the report and the accounting control are set up in an internal regulation instrument.

The internal regulation shall define the closing competencies and data supplying necessary for drawing up the interim (monthly, quarterly and six-month) and the annual disclosure reports. It provides a complete guidance for the interim (monthly, quarterly, six-month) and the annual closing competencies, tasks and supplying of data. The internal regulation sets up deadlines and appoints responsible officers for the tasks. The internal regulation also orders the inventory and conciliation of ledger records containing provisional registration of items which – for various reasons – could not be immediately cleared on a real account of assets/liabilities or on the general ledger accounts serving for registration of items outside the balance sheet at the time when they emerged.

Act no. 100 of 2000 on Accounting provides that the report shall rest on an inventory. Internal regulation sets detailed rules of inventory tasks in order to ensure a genuine balance sheet rest on proper definition of stocks of assets and liabilities, to check the bookkeeping and the accountancies and to reinforce this way the documentary discipline, to protect belongings, to explore inventories of decreased value and the assets out of use.

Furthermore, the Bank draws up and applies a detailed accounting system and continuously adapts new accounting measurements related the actual products and activities. Internal regulations on accounting are revised annually and updated if necessary. The legal, the internal audit and the compliance area are involved in the drafting and amending of these regulations.

General meeting, Articles of Association

The General Meeting is the supreme governing body of OTP Bank Plc. The regulations pertaining to its operation are set forth in the Company's Bylaws, and comply fully with both general and special statutory requirements. Information on the General Meeting is available in the Corporate Governance Report.

Regulations and information to be presented in the Business Report concerning securities conferring voting rights issued by the Company and senior officials, according to the effective Articles of Association, and ownership structure

The Company's registered capital is HUF 28,000,001,000, that is twenty-eight thousand million one thousand Hungarian forint, divided into 280,000,010, that is Two hundred and eighty million and ten dematerialised ordinary shares with a nominal value of HUF 100 each, and a total nominal value of HUF 28,000,001,000, that is twenty-eight billion one thousand Hungarian forint.

There are no restrictions in place concerning the transfer of issued securities constituting the registered capital of the Company.

No securities with special control rights have been issued by the Company.

The Company does not run control systems prescribed by an employee ownership program, where control rights are not exercised directly by the employees.

Rules on the restrictions of the voting rights:

The Company's ordinary shares confer one vote per share.

An individual shareholder or group of shareholders may not exercise voting rights in respect of in an extent exceeding 25%, or – if the voting rights of another shareholder or group of shareholders exceed 10% – exceeding 33% of the total voting rights represented by the shares conferring voting rights at the Company's General Meeting.

The shareholder is obliged to notify the Company's Board of Directors without delay if the shareholder directly or indirectly, or together with other shareholders in the same group of shareholders, holds more than 2% of the voting rights represented by the shares conferring voting rights at the Company's General Meeting. Concurrently with this, the shareholder is obliged to designate the shareholders through which the indirect voting right exists, or the members of the group of shareholders. In the event of a failure to provide such notification, or if there are substantive grounds for assuming that the shareholder has made a misleading declaration regarding the composition of the shareholder group, then the shareholder's voting right shall be suspended and may not be exercised until the shareholder has met the above obligations. The notification obligation stipulated in this paragraph and the related legal consequences are also incumbent upon individuals who are classified or may be classified as the Company's shareholders under Article 61 of the Capital Markets Act. The Company must also be provided with proof of the conditions for exemption from the notification obligation in accordance with Section 61 (7)–(8) and Section 61 (10)–(11)–(12), of the Capital Markets Act.

Shareholder group: the shareholder and another shareholder, in which the former has either a direct or indirect shareholding or has an influence without a shareholding (collectively: a direct and/or indirect influence); furthermore: the shareholder and another shareholder who is exercising or is willing to exercise its voting rights together with the former shareholder, regardless of what type of agreement between the participants underlies such concerted exercising of rights.

For determining the existence and extent of the indirect holding, the rules of the Credit Institutions Act relating to the calculation of indirect ownership shall be applied.

If the voting rights that may be exercised by a shareholder group exceed the threshold stipulated in the first paragraph of this section, the voting rights shall be reduced in such a way that the voting rights relating to the shares most recently acquired by the group of shareholders shall not be exercisable.

If there are substantive grounds to presume that the exercising of voting rights by any shareholder or shareholders might result in a breach of the rules of the Capital Markets Act relating to the acquisition of a controlling interest, the Board of Directors' authorised representative responsible for the registration of shareholders at the venue of the General Meeting, or the Chairman of the General Meeting, may exclude the affected shareholders from attending the General Meeting or exercising voting rights.

The General Meeting has exclusive authority with respect to the decision regarding the delisting of the shares (qualified majority).

The Company is not aware of any kind of agreements among the owners that could give rise to the restriction of the transfer of issued securities and/or the voting rights.

Rules on the appointment and removal of executive officers, and rules on amendment of the Articles of Association:

When making the decisions, shares embodying multiple voting rights shall represent one share.

The members of the Board of Directors are elected by the General Meeting based on its decision uniformly either for an indefinite period or for five years; in the latter case the mandate ends with the General Meeting concluding the fifth financial year following the election.

The mandate of a member elected during this period expires together with the mandate of the Board of Directors.

The Board of Directors elects a Chairman and, may elect one or more Deputy Chairmen, from among its own members, whose period of office shall be equal to the mandate of the Board of Directors. The Chairman of the Board of Directors is also the Chief Executive Officer (Chairman & CEO) of the Company.

The membership of the Board of Directors ceases to exist by

a) expiry of the mandate,
b) resignation,
c) recall,
d) death,
e) the occurrence of grounds for disqualification as regulated by law,
f) termination of the employment of internal (executive) Board members.

The General Meeting has exclusive authority with respect to the following matters:

- the recall of members of the Board of Directors, the Supervisory Board and Audit

Committee, and of the auditor; (qualified majority).

More than one third of the members of the Board of Directors and the non-executive members of the Supervisory Board may be recalled within a 12-month period only if any shareholder holds more than 33% of the shares issued by the Company, which have been obtained by the shareholder by way of a public purchase offer;

- except in the cases referred by these Articles of Association to the authority of the Board of Directors, the establishment and amendment of the Articles of Association; (qualified majority); the General Meeting decides on proposals concerning the amendment of the Articles of Association – based on a resolution passed by shareholders with a simple majority – either individually or en masse.

  The Board of Directors is exclusively authorised to make decisions regarding any change in the Company's name, registered office, permanent establishments and branches, and in the Company's activities – with the exception of its core activity – and, in relation to this, to modify the Articles of Association should it become necessary to do so on the basis of the Civil Code or the Articles of Association.

The Board of Directors is obliged to

- prepare the Company's financial statements in accordance with the Accounting Act, and make a proposal for the use of the profit after taxation;
- prepare a report once a year for the General Meeting, and once every three months for the Supervisory Board, concerning management, the status of the Company's assets and business policy;
- provide for the proper keeping of the Company's business books;
- perform the tasks referred to its authority under the Credit Institutions Act, in particular:
  - ensuring the integrity of the accounting and financial reporting system;
  - elaborating the appropriate strategy and determining risk tolerance levels for each business unit concerned;
  - setting risk assumption limits;
  - providing the necessary resources for the management or risk, the valuation of assets, the use of external credit ratings and the application of internal models.

The following, in particular, come under the exclusive authority of the Board of Directors:

- election of the Chairman & Chief Executive Officer of the Company, and exercising employer's right in respect thereof;
- election of one or more Deputy Chairmen of the Board of Directors;
- determination of the annual plan;
- the analysis and assessment of the implementation of business-policy guidelines, on the basis of the Company's quarterly balance sheet;
- decisions on transactions referred to the authority of the Board of Directors by the Company's organisational and operational regulations;
- decision on launching, suspending, or terminating the performance of certain banking activities within the scope of the licensed activities of the Company;
- designation of the employees entitled to sign on behalf of the Company;
- decision on the increasing of registered capital at the terms set out in the relevant resolution of the General Meeting;
- decision to acquire treasury shares at the terms set out in the relevant resolution of the General Meeting;
- decision on approving internal loans in accordance with the Credit Institutions Act;
- decision on the approval of regulations that fundamentally determine banking operations, or are referred to its authority by the Credit Institutions Act. The following shall qualify as such regulations:
  - the collateral evaluation regulations,
  - the risk-assumption regulations,
  - the customer rating regulations,
  - the counterparty rating regulations,
  - the investment regulations,
  - the regulations on asset classification, impairment and provisioning,
  - the organisational and operational regulations, which contain the regulations on the procedure for assessing requests related to large loans,

- the regulations on the transfer of signatory rights;

- the decision on approving the Rules of Procedure of the Board of Directors;
- decision on steps to hinder a public takeover procedure;
- decision on the acceptance of a public purchase offer received in respect of treasury shares;
- decision on the commencement of trading in the shares in a regulated market (flotation);
- decision on the cessation of trading in the shares in a given regulated market, provided that the shares are traded in another regulated market (hereinafter: transfer).

The Board of Directors is exclusively authorised to:

- decide, in the cases specified in the Civil Code, on acceptance of the Company's interim balance sheet, subject to the prior approval of the Supervisory Board;
- decide, instead of the General Meeting, to pay an advance on dividends, subject to the preliminary approval of the Supervisory Board;
- make decisions regarding any change in the Company's name, registered office, permanent establishments and branches, and in the Company's activities – with the exception of its core activity – and, in relation to this, to modify the Articles of Association should it become necessary to do so on the basis of the Civil Code or the Articles of Association;
- make decision on mergers (if, according to the provisions of the law on the transformation, merger and demerger of legal entities, the approval of the General Meeting is not required in order for the merger to take place).

The Board of Directors directly exercises employer's rights in respect of the Chairman & CEO. The person affected by a decision may not participate in the decision making. Employer rights in respect of the executive directors of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance of the appointment and dismissal of the Deputy CEOs. With regard to issues related to the exercising of employer's rights in respect of employees, the Company is represented by the Chief Executive Officer and by the senior company employees defined in the Organisational and Operational Regulations of the Company, in accordance with the delegation of authority approved by the Board of Directors.

The Board of Directors may delegate, to individual members of the Board of Directors, to executive directors employed by the Company, and to the heads of the individual service departments, any task that does not come under the exclusive authority of the Board of Directors in accordance with these Articles of Association or a General Meeting resolution.

The Company may acquire treasury shares in accordance with the rules of the Civil Code. The prior authorisation of the General Meeting is not required for the acquisition of treasury shares if the acquisition of the shares is necessary in order to prevent a direct threat of severe damage to the Company (this provision is not applicable in the event of a public purchase offer aimed at buying up the Company's shares), as well as if the Company acquires the treasury shares in the context of a judicial procedure aimed at the settlement of a claim to which the Company is entitled, or in the course of a transformation.

The Company has not made agreements in the meaning of points (j) and (k) in paragraph 95/A of Act No. C of 2000 on Accounting.

Ownership structure of OTP Bank Plc. as at 31 December 2016

Description of owner	Total equity					
	At the beginning of actual year			End of actual period		
	% [1]	% [2]	Qty	% [1]	% [2]	Qty
Domestic institution/company	20.31%	20.58%	56,865,293	20.20%	20.47%	56,561,346
Foreign institution/company	63.77%	64.62%	178,546,741	64.83%	65.71%	181,528,602
Domestic individual	5.95%	6.03%	16,656,480	3.88%	3.93%	10,852,905
Foreign individual	0.43%	0.44%	1,215,093	0.16%	0.16%	447,025
Employees, senior officers	1.37%	1.38%	3,825,466	1.33%	1.35%	3,726,348
Treasury shares[3]	1.31%	0.00%	3,677,506	1.33%	0.00%	3,737,768
Government held owner[4]	0.09%	0.09%	238,312	0.08%	0.08%	225,928
International Development Institutions[5]	0.01%	0.01%	38,242	0.02%	0.02%	49,715
Other[6]	6.76%	6.85%	18,936,877	8.17%	8.28%	22,870,373
Total	**100.00%**	**100.00%**	**280,000,010**	**100.00%**	**100.00%**	**280,000,010**

[1] Ownership share
[2] Voting rights
[3] Treasury shares include the aggregated amount of own shares held by the mother company, the subsidiaries and ESOP.
[4] E.g.: State Privatization Holding Co. Ltd., Social Security, Municipality, 100% state-owned companies, Pension Reform and Debt Reduction Fund etc.
[5] E.g.: EBRD, EIB etc.
[6] Non-identified shareholders according to the shareholders' registry.

Number of treasury shares held in the year under review (2016)

	1 January	31 March	30 June	30 September	31 December
OTP Bank	1,603,946	1,575,975	1,644,899	1,769,833	1,281,704
ESOP					382,504
Subsidiaries	2,073,560	2,073,560	2,073,560	2,073,560	2,073,560
Total	**3,677,506**	**3,649,535**	**3,718,459**	**3,843,393**	**3,737,768**

Shareholders with over/around 5% stake as at 31 December 2016

Name	Number of shares	Ownership	Voting rights
Megdet, Timur and Ruszlan Rahimkulov	22,931,972	8.19%	8.30%
MOL (Hungarian Oil and Gas Company Plc.)	24,000,000	8.57%	8.69%
Groupama Group	22,692,685	8.10%	8.21%
OPUS Securities S.A.	14,496,476	5.18%	5.25%

Committees

Members of the Board of Directors

Dr. Sándor Csányi – Chairman
Mr. Antal György Kovács
Mr. László Wolf
Mr. Mihály Baumstark
Dr. Tibor Bíró
Mr. Tamás Erdei
Dr. István Gresa
Dr. Antal Pongrácz
Dr. László Utassy
Dr. József Vörös

Members of the Supervisory Board

Mr. Tibor Tolnay – Chairman
Dr. Gábor Horváth – Deputy Chairman
Mrs. Ágnes Rudas
Mr. András Michnai
Mr. Dominique Uzel
Dr. Márton Gellért Vági

Members of the Audit Committee

Dr. Gábor Horváth – Chairman
Mr. Tibor Tolnay
Mr. Dominique Uzel
Dr. Márton Gellért Vági

The résumés of the committee and board members are available in the Corporate Governance Report/Annual Report.

Personal and organizational changes

In 2016 there was no change in the composition of Audit Committee and the Auditor of the Bank.
In accordance with the decision of the Board of Directors of the Bank, effective from 25 January 2016 Mr. András Tibor Johancsik has been in charge of running the IT and Operations Division as the Head of it, furthermore from 24 February 2016 his Deputy CEO nomination came into force.
OTP Bank's Board of Directors member Mr. Péter Braun passed away on 7 April 2016.
From 14 April 2016, Mr. György Kovács Antal's membership in the Supervisory Board ceased.
From 14 April 2016, the memberships of Mr. Zsolt Hernádi and Mr. István Kocsis in the Board of Directors ceased.
The employment of Dr. Antal Pongrácz, Deputy Chairman, Deputy CEO and Head of Staff Division, as well as that of Dr István Gresa, Deputy CEO and Head of the Credit Approval and Risk Management Division ceased on 14 April 2016 due to their retirement. Effective from 15 April 2016 the Chairman and CEO of the Bank entrusted Mr. György Kiss-Haypál to run the Credit Approval and Risk Management Division (according to the terms of the Act on Financial Institutions this position will not be deemed as executive).
The Annual General Meeting appointed Dr. Sándor Csányi, Mr. Mihály Baumstark, Dr. Tibor Bíró, Mr. Tamás György Erdei, Dr. István Gresa, Mr. Antal György Kovács, Dr. Antal Pongrácz, Dr. László Utassy, Dr. József Vörös, Mr. László Wolf as member of the Board of Directors of the Company until the Annual General Meeting closing the 2020 business year of the Company, but no later than 30 April 2021.
The Annual General Meeting appointed Mrs. Ágnes Rudas, as member of the Supervisory Board of the Company until the Annual General Meeting closing the 2016 business year of the Company, but no later than 30 April 2017.

Operation of the executive boards

OTP Bank Plc. has a dual governance structure, in which the Board of Directors is the Company's executive body, while the Supervisory Board performs oversight tasks. The effective operation of Supervisory Board is supported by the Audit Committee.
In order to assist the performance of the governance functions the Board of Directors founded and operates, as permanent or special committees, such as the Management Committee, the Management Coordination Committee or the Remuneration Committee, the Nomination Committee and the Risk Assumption and Risk Management Committee. To ensure effective operation OTP Bank Plc. also has a number of other permanent and special committees.
OTP Bank Plc. gives an account of the activities of the executive boards and the committees every year in its Corporate Governance Report.
The Board of Directors held 7, the Supervisory Board held 9 meetings, while the Audit Committee gathered 2 times in 2016.
In addition, resolutions were passed by the Board of Directors on 97, by the Supervisory Board on 29 and by the Audit Committee on 10 occasions by written vote.

Policy of diversity

OTP Bank Plc. determines and regulates the criteria for the selection of senior executives in line with European Union as well as domestic legal requirements and directives fundamentally determining the operation of credit institutions.
When designating members of the management bodies (Board of Directors, Supervisory Board) as well as appointing members of the Board of Directors and administrative members (Management), OTP Bank Plc. considers the existence of professional preparation, the high-level human and leadership competence, the versatile educational background, the widespread business experience and business reputation of the utmost importance, at the same time, it is also highly committed to taking efficient measures in order to ensure diversity with regard to corporate operation, including the gradual improvement in women's participation rate.
With this in mind, OTP Bank Plc.'s Nomination Committee continuously keeps tracking the European Union and domestic legislation

relating to women's quota on its agenda, in that when unambiguously worded expectations are announced, it promptly takes the necessary measures.
It is important to note, however, that, as a public limited company, the selection of the members of the management bodies falls within the exclusive competence of the General Meeting upon which – beyond its capacity to designate enforcing the above aspects to maximum effect – OTP Bank Plc. has no substantive influence.

For the purposes of OTP Bank Plc.'s Articles of Association, a Board of Directors comprising 5–11 members and a Supervisory Board comprising 5–9 members are set up at the Bank. The Board of Directors in its current form operates with 10 members and has no female member, while the Supervisory Board comprises 6 members and has one female member as of 15 April, 2016. The management of OTP Bank Plc. currently comprises 5 members and has no female member.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

Aspiring to be a good corporate citizen, OTP Bank assigns top priority to environmental protection, good environmental stewardship, leading by example, and last but not least to inspire others to adopt environmentally conscious practices. In addition to providing top-of-the-line financial services, the Bank intends to exert more and more effort each year to reduce transaction-related paperwork and energy consumption, to constantly be on the lookout for solutions with low environmental impact, as well as to strive for and achieve the broadest possible application of such measures.
OTP Group is a law-abiding corporate citizen in the area of environmental stewardship. No environmental fine has been levied on OTP Bank or any of its subsidiary banks in 2016. Besides compliance with the applicable law, the Group's efforts in this domain continue to be guided by rationalization and efficient resource management, as well as by stable operational expenditures. Still, the Group is always ready to extend immediate and effective assistance in crisis situations, as the preservation of natural treasures and the reduction of the respective environmental impact of operations are core values of OTP Bank corporate social responsibility.

The Foundations of our Responsible Operations

Our core CSR values have remained constant in recent years. Our Corporate Social Responsibility strategy (CSR Strategy) sets forth and defines our applicable guidelines and objectives. Our annual Corporate Social Responsibility Report presents our goals and accomplishments and is published on our website. Furthermore, the Bank's Code of Ethics has stated the commitment to environmental protection and to a healthy workplace. The Bank's Environmental Protection Regulations have been effective since 2009, while the internal corporate guidelines continue to enable environmentally conscious operations in compliance with applicable law.
OTP Facility Management coordinates the company's environmental activities in line with the existing time schedule. The organization carries out tasks related to regulatory reporting, coordinates and supervises the collection and disposal of hazardous waste (worn out office equipment and electronic waste), in compliance with prevailing regulations, on the company-wide level.

Environmentally conscious waste management

The Bank steadily continues to enforce the following order of priority: "prevention of waste production: reuse/recycling/disposal". Collecting waste selectively and cutting back on paper use is an integral part of this effort.
As compared to the corresponding period in the previous year, it can be established that within OTP Bank, in regard of the central office

buildings, the selectively collected amount of PET and office paper shows a downward trend. Waste from PET plastic bottles has lessened by 8% while waste from office paper dropped by 28%. The reduction of PET waste can be attributed to a change in consumption habits, while the decreased amount of paper waste is due to the efficiency of the measures taken to cut back on paper use. This latter is realized by reducing the scope of documents to be printed, by networking printers, and by digitizing documents.

Reducing paper use

OTP Group has set the goal to cut back on paper use by reducing printing. Over the past two years, virtually all of our subsidiary banks have launched projects to that effect. Where allowed by applicable law, electronic account statements have been available for years from all members of OTP Group. We have continuously been providing incentives for customers to cancel paper-based statements. The proportion of electronic statements has significantly grown at our Romanian, Ukrainian, Russian and also Serbian subsidiary banks in the past year, in equal proportions pertaining to retail deposit accounts, statements related to cards, as well as foreign currency bank account statements. At our Serbian subsidiary bank, the proportion of e-statements is almost 100%.

We are continuously examining on a group level how our services and the materials to be provided for customers could be provided electronically, which would further reduce the use of paper and printing ink. In OTP Bank, we expect that the introduction of E-Repository will save us approximately 1.4 million pages of paper annually.

Our actions and activities have, for several years, been guided by the effort to sustain our operational costs at the prevailing level.

We are performing targeted investments and are focusing on expanding the scope of paper-free processes.

We have made our services accessible online in case of taking loans in the form of personal loans or in case of concluding contracts for current account loans. The possibility of making statements in an electronic form is also viable in the case of Long-term Investment deposits and securities accounts. From 2016 on, the opening of a business account and the taking of a loan can be performed simply and in a paper-free manner through an online channel. In order to facilitate a paper-free client service, digital signing pads have been introduced in our branch offices.

At our foreign subsidiaries:

- At DSK Bank branches, we have introduced printing on both sides of the paper. On several occasions we sent e-mails to our customers instead of printed letters.
- In Romania, due to the integration of Millennium Bank and the CHF conversion program, we had to inform our customers on paper pursuant to the regulatory provisions. We have been striving to replace paper use with electronic means of information wherever possible.
- In Serbia, paper use has decreased thanks to the new logistics software. On the other hand, paper use has increased due to the legally mandated mandatory client information obligation.
- In Ukraine, we only issue electronic documents on account movements, instead of paper based ones.
- In Russia, we have launched a paper-free POS project so that in the future, the number of paper sheets necessary for a loan application can be decreased from 47 to 1 or 2.

Environmentally conscious energy use

We are continuously modernizing our systems at all of our subsidiary banks and have been installing energy-efficient, modern building engineering solutions and energy-efficient lighting as part of our construction investments. In the last few years, we have given priority to replacing the lightning on advertising walls and facades in branches, with LED lamps, both in the parent bank and foreign subsidiary banks, thereby achieving approximately 85% energy savings with such equipment.

- In the Serbian central office, the procurement of reactive power compensation equipment has been completed.
- In Ukraine and Russia, after introducing energy efficient lighting indoors, outdoor lighting panels were also replaced with LED lighting.
- In two branches of CKB Bank, we replaced the old heating system with new, more energy efficient equipment; we insulated the building and installed energy saving lighting.
- We have installed LED lighting in 105 DSK branch offices.
- The new energy supplier of OTP Banka Slovensko supplies the bank with renewable energy, i.e. provides green energy solutions.

We are proud to use renewable energy sources. Our Hungarian sites continue to operate solar collectors on nearly 460 square meters, while our central archive uses geothermic energy. First among Croatian banks OTP banka Hrvatska generates a part of the energy required for its operation through solar power plants. Currently, the renewable energy is supplied by the power plants built in Dubrovnik and Zadar. The facility in Zadar is the second solar power plant of OTP banka Hrvatska (a 21 kWP output photovoltaic system), as a 25kWp output solar plant on the rooftop of the Bank's office building in Dubrovnik has been operating for a year. The energy generated is utilised by the office buildings (air-conditioning, lighting, IT, elevators etc.). The magnitude of the second investment comes to 361,000 Kuna, which has been fully financed by the Bank. OTP banka Hrvatska plans to build a third solar plant, on top of its Headquarters in Pula. The output of the new facility will be 30 kWp and is planned to be completed in 2016/2017. Measures aimed at reducing the environmental load play an important role in the business strategy of OTP banka Hrvatska, consequently they plan to implement projects with the objective of utilising renewable energy. In addition to all this, OTP banka Hrvatska offers a loan product titled "Sunny loan" in its services portfolio designed to build energy efficient apartments, attracting considerable interest from clients. In its program titled "Green way for environment protection" the bank aims to reduce its ecological footprint, increase energy efficiency and improve the performance of its waste management system.

Shaping perceptions

Protection of our natural resources and treasures has long been a priority of OTP Bank. The Bank operates a Hiking/Touring Group (with a 150 members) with the intent of raising the interest of employees in hiking and touring, increasing the number of those participating in exploring the nature, and consequently them taking part in several voluntary programs during the year. We have organised a number of voluntary programs during the past years in order to involve members of the group in tangible environment protection efforts. Programs of this kind were litter picking around the Tisza Lake, or previously the restoration of a resting place in Hárs-hegy (Hárs Peak) that was built by OTP employees a decade earlier. Our colleagues have, for years, incessantly participated in voluntary work related to events such as the "TeSzedd a Kéken" (litter picking) and Earth Day.
Since 2012 OTP Bank has been taking part in WWF's International Global Climate Energy Initiative, the Earth Hour, raising awareness to the importance of climate protection.
Since years, CKB Bank has been the supporter of the National Parks of Montenegro. Employees take an active role in the relevant campaigns.
Starting from 2015, OTP Bank has been providing trainings not only for its employees, but also its partners (agents, brokers) on the bank's corporate social responsibility and environment-friendly operation. In order for agents to perform their work according to the bank's corporate ethics, compliance with the Code of Ethics and Bank Security regulations is a prerequisite, which is verified by regular test purchases.

Awards and Recognition

RFU CEERIUS INDEX: In recognition of our performance in the field of sustainability, we have been selected to be listed on the Responsible Investment Universe Index of the Vienna Stock Exchange since 2009. The index may feature regional listed companies that are awarded the best ratings in sustainability analysis in social, environmental and economic terms compiled by RFU (Reinhard Friesenbichler Unternehmens-beratung).

We wish to make the stewardship of our environment a priority to our staff and customers. Accordingly, we provide ongoing updates about our environmental protection activities on our corporate social responsibility webpage: www.otpbank.hu/csr/en/main

Footnotes to the table 'consolidated net profit breakdown by subsidiaries (IFRS)'

General note: regarding OTP Core and other subsidiaries, profit after tax is calculated without received dividends and net cash transfers. Dividends and net cash transfers received from non-group member companies are shown on a separate line in one sum in the table, regardless to the particular receiver or payer group member company.

(1) OTP Core, Corporate Centre and foreign banks aggregated, excluding one-timers.

(2) OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials of OTP Core are calculated from the partially consolidated IFRS financial statements of the companies engaged in OTP Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financial Point Ltd., and companies providing intragroup financing. The consolidated accounting results of these companies are segmented into OTP Core and Corporate Centre. Latter is a virtual entity.

(3) Within OTP Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within OTP Group but outside OTP Core. Therefore the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core, the intragroup lending received from other subsidiaries, and the subordinated debt and senior notes arranged by OTP Bank under its running EMTN program. From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd., Merkantil Car Ltd., Merkantil Leasing Ltd., OTP Real Estate Leasing Ltd., OTP Fund Management Ltd., OTP Real Estate Fund Management Ltd., OTP Life Annuity Ltd.; foreigners: banks, leasing companies, factoring companies.

(4) From 1Q 2015 the performance of OTP Bank Russia does not contain the volumes and financial result of Touch Bank. (The performance of Touch Bank was shown separately from OTP Bank Russia's performance for the first time in the Summary of the full-year 2015 results, with retroactive effect from 1Q 2015.) From 1Q 2015 the statement of recognised income and balance sheet of LLC MFO OTP Finance was included in the Russian performance. The pre-tax gain realised on the perpetual EUR 500 million subordinated Notes transaction within the Group in 3Q 2014 was eliminated from the performance of OTP Bank Russia.

(5) Touch Bank is a digital bank being part of OTP Bank Russia from legal point of view, and it is operating under the same banking license, but as a separate business line. In order to provide transparent information Touch Bank is presented as a separate virtual entity and as an independent activity. The performance of Touch Bank was shown separately from OTP Bank Russia's performance for the first time in the Summary of the full-year 2015 results, with retroactive effect from 1Q 2015.

(6) From 4Q 2008 figures are based on the aggregated financial statements of OTP Bank JSC and LLC OTP Leasing Ukraine, from 4Q 2009 the result of LLC OTP Factoring Ukraine was also aggregated, while in 4Q 2010 the statement of recognised income and balance sheet of LLC OTP Credit was also added.

(7) From 3Q 2010, statements are based on the aggregated financials of DSK Group and the newly established Bulgarian collection company, OTP Factoring Bulgaria LLC. DSK Group balance sheet contains the loans sold to the factoring company at before sale gross value and the related provisions as well.
(8) Net earnings are adjusted with the result of CIRS swap transactions executed with OTP Bank Hungary in relation to interbank financing. Before transfer balance sheet numbers are displayed. From 2Q 2010 the statement of recognised income and balance sheet of OTP Faktoring SRL was included.
(9) Including the financial performance of OTP Factoring Serbia d.o.o from 4Q 2010. Banca Millennium was consolidated into OBR's results from 1Q 2015.
(10) Banco Popolare Croatia was consolidated into OBH's results from 2Q 2014. From 1Q 2015 including the financial result and volumes of OTP Faktoring d.o.o.
(11) From 2011 on the balance sheet contains consolidated data of OTP Banka Slovensko and OTP Faktor Slovensko s.r.o., adjusted for loans sold to OTP Bank Plc. and OTP Factoring Ltd., and the related interbank financing in the net amount of the sold loans. The recoveries of sold loans to OTP Faktoring are recognised in the P&L accounts as risk cost decreasing elements since 2011. From 2012 on P&L data and related indices are adjusted for the special banking tax and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, as well as the contribution into the Resolution Fund.
(12) Including the financial performance of OTP Factoring Montenegro d.o.o.
(13) Aggregated after tax profit of Merkantil Bank and Merkantil Car without dividends, net cash transfer, other adjustment items and provisioning for investments in subsidiaries.
(14) From 4Q 2009: OTP Leasing Romania IFN S.A. (Romania), Z plus d.o.o. (Croatia) (until 3Q 2011), OTP Leasing d.d. (Croatia), DSK Leasing AD (Bulgaria).
(15) LLC AMC OTP Capitol (Ukraine) and OTP Asset Management SAI S.A. (Romania), DSK Asset Management (Bulgaria).
(16) HIF Ltd. (United Kingdom), OTP Faktoring Slovensko (Slovakia) (until 1Q 2011), OTP Buildings (Slovakia), OTP Real Slovensko (Slovakia), Velvin Ventures Ltd. (Belize), Debt Management Project 1 Montenegro d.o.o. (Montenegro), R.E. Four d.o.o., Novi Sad (Serbia), SC Aloha Buzz SRL, SC Favo Consultanta SRL, SC Tezaur Cont SRL (Romania), Cresco d.o.o. (Croatia).
(17) Total Hungarian subsidiaries: sum of the adjusted after tax results of Hungarian group members, Corporate Centre and related eliminations.
(18) Total Foreign subsidiaries: sum of the adjusted after tax profits of foreign subsidiaries and one-off items (after tax).

Calculation of adjusted lines of IFRS profit and loss statements presented in the business report

In order to present Group level trends in a comprehensive way in the Interim Management Report, the presented consolidated and separate profit and loss statements of the Report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the Report. Consolidated accounting figures together with Separate accounting figures of OTP Bank are still disclosed in the Financial Data section of the Report.

Adjustments:

- As non-recurring results, the after tax effect of the following items are shown separately on the Statement of Recognised Income: received dividends, received and paid cash transfers, goodwill write-offs, the tax shield effect of investment write-offs, special tax on financial institutions, the one-timer payment compensating the underperformance of the financial transaction tax in 2013, the fine imposed by the Hungarian Competition Authority and the risk cost created in relation to the decision of the Hungarian Competition Authority, the corporate tax impact of the transfer of general risk reserves to retained earnings, the effect of acquisitions, the one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary, the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia, the one-off impact of regulatory changes related to FX consumer contracts in Serbia, the expected one-off impact of the CHF mortgage loan conversion programme in Romania, the risk cost created toward Crimean exposures from 2Q 2014, the risk cost related toward exposure to Donetsk and Luhansk from 3Q 2014, the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes, and the net loss from early repayment of FX mortgage loans in Hungary. Beside the Slovakian banking levy, the total amount of the special banking tax includes and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too.

- Other non-interest income elements stemming from provisioning release in connection with provisions on loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of provisions for possible loan losses in the income statement.
- From 2Q 2014 OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line.
- Other non-interest income is shown together with gains/losses on real estate transactions, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- Out of other expenses, other provisions are deducted and shown separately as other risk costs in the adjusted income statement. Other provisions contain provisioning on off-balance sheet liabilities and on legal contests, provisioning on securities, shares and other investments as well as provisioning on other assets.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers – except for movie subsidies and cash transfers to public benefit organisations –, Other non-interest expenses stemming from non-financial activities, Special tax on financial institutions and the one-timer payment compensating the underperformance of the financial transaction tax.
- From 4Q 2010 onwards, the fee expenses paid by Merkantil Group to car dealers ('dealer fees') were registered as interest expense in the accounting income statement. Earlier this item had been booked as fee expense. In order to create a comparable time series, since 4Q 2010 dealer fees have been reclassified from net interest income to net fees and commissions – both on the consolidated and on a standalone level.
- Within the aggregated income statement of Merkantil Bank and Car, other risk cost related to leasing companies – as investments of the Merkantil Group – is eliminated. The reason behind is that this provisioning is eliminated in the consolidated income statement of OTP Group, and only the net result of the leasing companies is making part of OTP Group's consolidated net earnings.
- Performing indicators such as cost/income ratio, net interest margin, risk cost to

average gross loans as well as ROA and ROE ratios are calculated on the basis of the adjusted profit and loss statement, excluding adjustment items such as received dividends and net cash transfers, goodwill write-offs, the tax shield effect of investment write-offs, special tax on financial institutions, the one-timer payment compensating the underperformance of the financial transaction tax in 2013, the fine imposed by the Hungarian Competition Authority and the risk cost created in relation to the decision of the Hungarian Competition Authority, the corporate tax impact of the transfer of general risk reserves to retained earnings, the effect of Banco Popolare Croatia acquisitions, the one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary, the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia, the one-off impact of regulatory changes related to FX consumer contracts in Serbia, the expected one-off impact of the CHF mortgage loan conversion programme in Romania, the risk cost created toward Crimean exposures from 2Q 2014, the risk cost related toward exposure to Donetsk and Luhansk from 3Q 2014, the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes, and the net loss from early repayment of FX mortgage loans in Hungary.

- OTP Group is hedging the revaluation result of the FX provisions on its FX loans by keeping hedging open FX positions. In the accounting statement of recognized income, the revaluation of FX provisions is part of the risk costs (within line "Provision for loan losses") and Other provisions, whereas the revaluation result of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- In 3Q 2012 and in 2Q 2013, seven subsidiaries of OTP Real Estate Ltd. were for the first time consolidated into OTP Group. The cumulated loss of the companies' previous operation was recognised as Other expenses in the accounting P&L, while loan loss and other provisioning earlier made by OTP Bank and OTP Real Estate in relation to these companies were released. By influencing only the structure of the income statement, the net effect of these two entries was neutral to consolidated net earnings. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L.
- Tax deductible transfers paid by Hungarian group members from 3Q 2012 were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of the transfers (i.e. the paid transfer less the related tax allowances) is recognised in the corporate income tax line of the adjusted P&L.
- From 2012 credit institutions' contribution tax was recognised in the accounting P&L of OTP Group and OTP Core as OTP Core's burden share in the fixed exchange rate scheme provided to Hungarian FX mortgage debtors. The paid contribution tax equals 50% of the forgiveness provided on the interest payments of the clients. In the adjusted P&L the contribution tax is reclassified from other (administrative) expenses and to a lesser extent from other risk cost to net interest income.
- The financial transaction tax paid from the beginning of 2013 in Hungary is reclassified from other (administrative) expenses to net fee and commission income, both on consolidated and OTP Core level.
- Due to regulatory changes related to consumer contracts in Hungary the actual negative effects of the financial settlement with clients and the conversion of FX consumer contracts prescribed by regulatory changes related to consumer contracts in Hungary as well as the impact of the related methodological changes were recognized

within the accounting P&L in each quarters of 2015 on the net interest income, net fees and commissions, foreign exchange gains (net), net other non-interest result, other non-interest expenses, provision for loan losses, other risk cost and dividends and net cash transfers lines. These items booked in these periods were eliminated from all of the affected lines and were shown separately among adjustment items on consolidated level, whereas the estimate on the one-off negative impact of regulatory changes related to consumer contracts was booked on the other risk cost line in the accounting P&L.

- The revaluation result booked on Other provisions line due to regulatory changes related to FX mortgage loans in Hungary were moved to the Foreign exchange result line in 4Q 2014.
- Within the report, FX-adjusted statistics for business volume developments and their product breakdown are disclosed, too. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. (In Hungary in case of FX mortgage loans converted into HUF in 1Q 2015 pursuant to the Act No. LXXVII of 2014 the fixed FX rates stipulated by the law were used for the FX adjustment.) Thus the FX-adjusted volumes will be different from those published earlier.

Adjustments on the consolidated statement of recognized income (IFRS):

	2015 HUF million	2016 HUF million
Net interest income	**550,430**	**519,729**
(–) Agent fees paid to car dealers by Merkantil Group	(2,084)	0
(+) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	(232)	0
(+) Other risk costs recognised in relation to the fixed exchange rate scheme	0	0
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	(697)	0
(–) Revaluation result of FX provisions		823
(+) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations		(440)
(+) Structural correction related to the amendment of interest income recognition methodology in Ukraine in 3Q 2016		3,484
Net interest income (adj.) with one-offs	**552,980**	**521,949**
(–) Revaluation result of FX swaps at OTP Core (booked within net interest income)	(679)	-
Net interest income (adj.) without one-offs	**553,659**	**521,949**
Net profit from fees and commissions	**213,872**	**222,991**
(+) Agent fees paid to car dealers by Merkantil Group	(2,084)	0
(+) Financial Transaction Tax	(45,076)	(47,025)
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	(539)	0
Net fees and commissions (adj.)	**167,250**	**175,966**
Foreign exchange result	**116,682**	**36,142**
(–) Revaluation result of FX positions hedging the revaluation of FX provisions	96,814	16,804
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	1,321	0
(–) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia	70	0
(–) Presentation of the revaluation result of intra-group swaps on the net interest income line realized at the Romanian and Slovakian operations		(440)
(–) Gains and losses on derivative financial instruments		6,838
Foreign exchange result (adj.) with one-offs	**18,476**	**12,941**
Foreign exchange result (adj.) without one-offs	**18,476**	**12,941**
Gain/loss on securities, net	**11,616**	**20,828**
(–) Gain on the sale of Visa Europe shares		15,924
Gain/loss on securities, net (adj.) with one-offs	**11,616**	**4,904**
(–) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj.) at OTP Core)	2,418	(751)
Gain/loss on securities, net (adj.) without one-offs	**9,197**	**5,655**
Other operating income	**22,973**	**19,628**
(+) Gains and losses on derivative financial instruments		6,838
(–) Received cash transfers	9	37
(–) Non-interest income from the release of pre-acquisition provisions	1,518	735
(+) Other other non-interest expenses	(182,726)	(29,221)
(+) Change in shareholders' equity of companies consolidated with equity method	690	(163)
(–) Badwill booked in relation to acquisitions	1,845	0
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	(170,420)	0
(–) One-off impact of regulatory changes related to FX consumer contracts in Serbia	(211)	0
(–) Adjustment of the one-off reclassification between Net other non-interest result and Other provisions in 4Q 2015	1,868	
(–) One-off impact of regulatory changes related to CHF consumer contracts in Croatia		(9,068)
(–) One-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania		(18,347)
(–) Impact of fines imposed by the Hungarian Competition Authority		3,922
Net other non-interest result (adj.) with one-offs	**6,329**	**19,803**
(–) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj.) at OTP Core and at the Corporate Centre)	0	0
Net other non-interest result (adj.) without one-offs	**6,329**	**19,803**
Provision for loan losses	**(318,683)**	**(93,472)**
(+) Non-interest income from the release of pre-acquisition provisions	1,518	735
(–) Revaluation result of FX provisions	(95,783)	(17,648)
(–) Risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015	(240)	0
(–) Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 until 4Q 2015	(2,684)	0
(–) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia	2,058	(574)
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	(8,852)	0
(–) Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania		(4,776)
(+) Structural correction related to the amendment of interest income recognition methodology in Ukraine in 3Q 2016		(3,484)
Provision for loan losses (adj.)	**(211,663)**	**(73,223)**

	2015 HUF million	2016 HUF million
Dividend income	**3,345**	**3,054**
(+) Received cash transfers	9	37
(+) Paid cash transfers	(15,862)	(13,131)
(–) Sponsorships, subsidies and cash transfers to public benefit organisations	(15,473)	(13,130)
(–) Dividend income of swap counterparty shares kept under the treasury share swap agreement	2,433	2,841
(–) Change in shareholders' equity of companies consolidated with equity method	690	(163)
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	(303)	0
After tax dividends and net cash transfers	**144**	**412**

Income taxes	**3,148**	**(33,944)**
(–) Corporate tax impact of goodwill/investment impairment charges	6,683	11,552
(–) Corporate tax impact of the special tax on financial institutions	6,609	3,120
(+) Tax deductible transfers	(12,200)	(9,565)
(–) Corporate tax impact of the effect of fines imposed by the Hungarian Competition Authority	151	0
(–) Corporate tax impact of the badwill booked in relation to acquisitions	(295)	0
(–) Corporate tax impact of the one-off effect of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	(4,173)	0
(–) Corporate tax impact of risk cost created toward Crimean exposures from 2Q 2014 until 4Q 2015	71	0
(–) Corporate tax impact of risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 until 4Q 2015	426	0
(–) Corporate tax impact of revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes	1,299	0
(–) Corporate tax impact of the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia	1,583	0
(–) Corporate tax impact of the expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	4,408	0
(–) Corporate tax impact of the gain on the sale of Visa Europe shares		(2,764)
(–) Corporate tax impact of switching to IFRS from HAR in Hungary		(5,766)
(–) Revaluation of deferred taxes recognized in the P&L due to the corporate tax rate cut in Hungary		(6,054)
Corporate income tax (adj.)	**(25,813)**	**(43,596)**

Other operating expense	**(74,680)**	**(36,461)**
(+) Release of provision/(Provision) on securities available-for-sale and held-to-maturity	**(15)**	**55**
(–) Other costs and expenses	(14,211)	(5,639)
(–) Other non-interest expenses	(198,588)	(42,351)
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	197,569	0
(–) Revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes (booked within other risk cost)	(6,838)	0
(–) Revaluation result of FX provisions	(1,031)	22
(–) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia	(10,042)	9,642
(–) Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	(29,828)	23,123
(–) Impact of fines imposed by the Hungarian Competition Authority	(813)	(1,207)
(–) Adjustment of the one-off reclassification between Net other non-interest result and Other provisions in 4Q 2015	(1,868)	0
Other provisions (adj.)	**(9,046)**	**(19,995)**

Other administrative expenses	**(232,248)**	**(220,228)**
(+) Other costs and expenses	(14,211)	(5,639)
(+) Other non-interest expenses	(198,588)	(42,351)
(–) Paid cash transfers	(15,862)	(13,131)
(+) Film subsidies and cash transfers to public benefit organisations	(15,473)	(13,130)
(–) Other other non-interest expenses	(182,726)	(29,221)
(–) Special tax on financial institutions (recognised as other administrative expenses)	(35,992)	(17,069)
(–) Tax deductible transfers	(12,200)	(9,565)
(–) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	(232)	0
(–) Financial Transaction Tax	(45,076)	(47,025)
(–) Impact of fines imposed by the Hungarian Competition Authority	0	(793)
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	(9,312)	0
(–) Expected one-off impact of the CHF mortgage loan conversion programme and regulatory changes related to mortgage loans in Romania	(72)	0
Other non-interest expenses (adj.)	**(159,048)**	**(164,545)**

Statement of recognized income of OTP Bank Plc., according to hungarian accounting standards (unconsolidated, audited):

	2015 HUF million	2016 HUF million	Change %
Net interest income	**174,250**	**186,357**	**7**
Interest received and similar income	372,403	315,263	(15)
Interest paid and similar charges	(198,153)	(128,906)	(35)
Net fee and commission income	**160,090**	**161,991**	**1**
Commissions and fees received or due	187,617	191,893	2
Commissions and fees paid or payable	(27,527)	(29,902)	9
Other income	**468,758**	**242,440**	**(48)**
Income from securities	58,597	90,467	54
Net profit or net loss on financial operations	(12,308)	37,323	(403)
Other operating income	422,469	114,650	(73)
General administrative expenses	**(135,018)**	**(138,648)**	**3**
Depreciation	**(16,413)**	**(19,840)**	**21**
Other operating charges	**(526,752)**	**(142,993)**	**(73)**
Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**(52,827)**	**(29,161)**	**(45)**
Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**25,891**	**23,340**	**(10)**
Difference between formation and utilization of general risk provisions	**0**	**0**	
Value adjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	**(39,373)**	**(104,017)**	**164**
Value readjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	**81**	**44,219**	**54,491**
Profit or loss on ordinary activities	**58,687**	**223,688**	**281**
Extraordinary profit or loss	(155,910)	(10,496)	(93)
Profit or loss before tax	**(97,223)**	**213,192**	**(319)**
Taxes on income	(871)	(11,551)	1,226
Profit or loss after tax	**(98,094)**	**201,641**	**(306)**
General reserve	98,094	(20,164)	(121)
Profit or loss for the financial year	**0**	**181,477**	

Balance sheet of OTP Bank Plc., according to hungarian accounting standards (unconsolidated, audited):

	2015 HUF million	2016 HUF million	Change %
Total assets	**6,883,826**	**7,109,622**	**3**
1. Liquid assets	1,324,505	928,617	(30)
2. Treasury bills and similar securities	1,577,974	1,891,155	20
3. Loans and advances to credit institutions	663,431	932,678	41
4. Loans and advances to customers	**1,693,195**	**1,938,777**	**15**
5. Debt securities, including fixed-income securities	674,896	457,916	(32)
6. Shares and other variable-yield securities	129,853	128,230	(1)
7. Shares and participations in corporations held as financial fixed assets	584	2,432	316
8. Shares and participating interests in affiliated companies	490,984	583,007	19
9. Intangible assets	65,365	22,954	(65)
10. Tangible assets	65,734	64,628	(2)
11. Own shares	9,168	8,870	(3)
12. Other assets	79,616	41,394	(48)
13. Prepayments and accrued income	108,521	108,964	0
Total liabilities	**6,883,826**	**7,109,622**	**3**
1. Amounts owed to credit institutions	837,020	658,491	(21)
2. Amounts owed to customers	**4,366,507**	**4,830,024**	**11**
3. Debts evidenced by certificates	187,569	151,603	(19)
4. Other liabilities	54,849	65,474	19
5. Accruals and deferred income	81,146	90,518	12
6. Provisions for liabilities and charges	88,465	47,661	(46)
7. Subordinated liabilities	313,120	155,510	(50)
8. Shareholders' equity	955,150	1,110,341	16
Performance Indicators	**2015**	**2016**	**pps**
Loans and advances to customers/amounts owed to customers	39%	40%	1

Statement of recognized income of OTP Bank Plc., according to IFRS standards (consolidated, audited, accounting structure):

	2016 HUF million	2015 HUF million	Change %
Loans	510,449	575,619	(11)
Placements with other banks	74,588	114,024	(35)
Amounts due from banks and balances with the National Banks	9,866	27,495	(64)
Securities held for trading	0	0	
Securities available-for-sale	34,557	31,063	11
Securities held-to-maturity	51,427	46,619	10
Other	8,804	7,607	16
Total interest income	689,691	802,428	(14)
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	(75,925)	(116,713)	(35)
Deposits from customers	(72,554)	(108,023)	(33)
Liabilities from issued securities	(4,726)	(6,786)	(30)
Subordinated bonds and loans	(10,239)	(13,633)	(25)
Other	(6,518)	(6,844)	(5)
Total interest expense	(169,962)	(251,998)	(33)
NET INTEREST INCOME	**519,729**	**550,430**	**(6)**
Provision for impairment on loans and placement losses	(93,473)	(318,683)	(71)
NET INRETEST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES	**426,256**	**231,747**	**84**
Income from fees and commissions	272,235	257,431	6
Expense from fees and commissions	(49,244)	(43,559)	13
NET PROFIT FROM FEES AND COMMISSIONS	222,991	213,872	4
Foreign exchange gains, net	36,142	116,682	(69)
Gains on securities, net	20,828	11,616	79
Dividend income	3,054	3,345	(9)
Release of provision/Provision on securities available-for-sale	55	(15)	
Other operating income	19,628	22,973	(15)
Other operating expense	(36,461)	(74,680)	(51)
from this: release of provision on contingent liabilities due to regulations related to customer loans	-	196,574	
NET OPERATING GAIN	43,246	79,922	(46)
Personnel expenses	(191,442)	(187,806)	2
Depreciation and amortization	(44,427)	(45,463)	(2)
Other administrative expenses	(220,229)	(232,248)	(5)
OTHER ADMINISTRATIVE EXPENSES	(456,098)	(465,517)	(2)
PROFIT BEFORE INCOME TAX	**236,395**	**60,024**	**294**
Income tax	(33,943)	3,148	
NET PROFIT FOR THE YEAR	**202,452**	**63,171**	**220**
From this, attributable to: non-controlling interest	(242)	412	(159)
Owners of the company	**202,210**	**63,583**	**218**

Balance sheet of OTP Bank Plc., according to IFRS standards (consolidated, audited):

	2016 HUF million	2015 HUF million	Change %
Cash, amounts due from banks and balances with the National Banks	1,625,357	1,878,960	(13)
Placements with other banks, net of allowance for placement losses	363,530	300,568	21
Financial assets at fair value through profit or loss	293,106	253,782	15
Securities available-for-sale	1,527,093	1,305,486	17
Loans, net of allowance for loan losses	5,736,232	5,409,967	6
Associates and other investments	9,836	10,028	(2)
Securities held-to-maturity	1,114,227	926,677	20
Property and equipment	193,485	193,661	0
Intangible assets	162,031	155,809	4
Investment property, investment property subject to operating lease	29,446	30,319	(3)
Other assets	253,322	253,591	0
TOTAL ASSETS	**11,307,665**	**10,718,848**	**5**
Amounts due to banks and Hungarian Government, deposits from the National Banks and other banks	543,775	533,310	2
Deposits from customers	8,540,583	7,984,579	7
Liabilities from issued securities	146,900	239,376	(39)
Financial liabilities at fair value through profit or loss	75,871	101,561	(25)
Other liabilities	502,429	391,579	28
Subordinated bonds and loans	77,458	234,784	(67)
TOTAL LIABILITIES	**9,887,015**	**9,485,189**	**4**
Share capital	28,000	28,000	0
Retained earnings and reserves	1,449,478	1,261,029	15
Treasury shares	(60,121)	(58,021)	4
Non-controlling interest	3,292	2,651	24
TOTAL SHAREHOLDERS' EQUITY	**1,420,649**	**1,233,659**	**15**
TOTAL LIABILTITIES AND SHAREHOLDERS' EQUITY	**11,307,665**	**10,718,848**	**5**